Supreme Court, U.S.
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No. 93 1461 MAR 14 1994

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1993

MAG INSTRUMENT, INC.,

Petitioner,

vs.

THE COMMISSIONER OF PATENTS
AND TRADEMARKS,

Respondent.

PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

PETITION FOR WRIT OF CERTIORARI

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138 pp

QUESTIONS PRESENTED

1. In a case of first impression, should the Patent Office grant a patent when commercial activities which would otherwise create a statutory bar under 35 U.S.C. § 102(b) were entirely the result of the surreptitious and piratical activities of a third party while under an obligation of secrecy to the inventor/applicant?

2. Did the Board of Patent Appeals and Interferences ("Board") and Court of Appeals for the Federal Circuit ("Federal Circuit") err in disregarding the law of the Supreme Court in deciding that a piratical use exception to § 102(b) does not exist or should not be created?

3. Did the Federal Circuit and Board violate Petitioner's right of Due Process regarding its patent property right established by 35 U.S.C. §§ 102 and 261, by refusing to consider any evidence of the third party's piratical misappropriation upon which an exception to § 102(b) could be based?

PARTIES TO THE PROCEEDING

The Petitioner is Mag Instrument, Inc. Pursuant to Supreme Court Rule 29.1, there is no parent or subsidiary to be listed.

The Respondent is the Commissioner of Patents and Trademarks.

TABLE OF CONTENTS

Page

QUESTIONS PRESENTED i

PARTIES TO THE PROCEEDING ii

LIST OF APPENDICES vi

TABLE OF AUTHORITIES viii

REPORTS OF OPINIONS BELOW 1

STATEMENT OF JURISDICTION 1

CONSTITUTIONAL AND STATUTORY PROVISIONS 1

STATEMENT OF THE CASE 1

A. Nature of the Case and Proceedings Below 1

B. Statement of Facts 2

1. Prosecution History 2

2. The Surreptitious, Piratical Acts of Keller, a Faithless Employee 3

3. Due Process 6

ARGUMENT 7

A. Summary of Reasons Why This Petition Should Be Granted 7

Page

1. This Issue Of First Impression Has Been Decided By The Federal Circuit Contrary To Supreme Court Law 8

2. By Denying Petitioner Due Process, The Federal Circuit Has Sanctioned a Departure From The Accepted And Usual Course of Judicial Proceedings 10

B. The Courts Have Recognized an Exception to the General Third Party Rule Such That Surreptitious, Piratical Third Party Activity Should Not Create a Bar to Patentability 12

1. The United States Supreme Court Has Repeatedly Recognized That an Exception Should Exist 12

2. Recent Case Law Also Confirms That an Exception to the General Rule Should Exist 19

C. A Rule That Piratical Use Raises a Statutory Bar Ignores Policy Considerations. 20

1. A Rule That Piratical Activities Create a Bar to Patentability Does Not Serve the Policy Against Patent Monopoly Extension 20

2. An Inventor Who Maintains the Confidentiality Should be Protected From Theft Like Any Other Property Holder. 21

Page

3. The Exception Now Sought Serves the Policies of Timely Development of Inventions for Public Benefit, and of Promoting the Progress of Science 23

D. Petitioner Has Been Denied Due Process 25

1. Petitioner has a Protected Property Interest in the Patent on the Flashlight Gripper Invention 26

2. The Balance of Relevant Factors Establishes that a Violation of Due Process Occurred 26

a. The Private Interest Affected is Unique and Incalculably Valuable 27

b. The Risk of Erroneous Deprivation Is High, And The Value Of Procedural Safeguards Would Be Great 27

c. The Incremental Fiscal And Administrative Burden Of Additional Safeguards is Low 28

CONCLUSION 30

LIST OF APPENDICES

APPENDIX A
Decision, The Board of Patent Appeals and Interferences, Dated February 9, 1993. . . . . A1

APPENDIX B
Notice of Allowability for the '058 Application, Dated December 26, 1989 . . . . . B1

APPENDIX C
Office Action re '253 Application, Dated 6-25-90 . . . . . C1

APPENDIX D
Office Action re '253 Application, Dated 11-5-90 . . . . . D1

APPENDIX E
Examiner's Interview Summary Record, Mailed 8-22-90 . . . . . E1

APPENDIX F
Judgment, and Notice of Entry of Judgement Without Opinion, United States Court of Appeals for the Federal Circuit, Dated December 13, 1993. . .F1

APPENDIX G
Declaration of Robert C. Weiss G1
Declaration of Allan W. Jansen G5
Declaration of Jeffrey M. Olson. G8
Employment Confidentiality Agreement G13
Statements of Lee Bieberstein and Jeff Olson on December 30, 1987 and January 6, 1988 . . . . . G17
Declaration of Jon E. Hokanson. G24
Declaration of Jerrold B. Reilly G29

Page

APPENDIX H
Rule 131 Declaration of Anthony Maglica, Dated 1-19-88 . . . . . H1
Declaration of Anthony Maglica, Dated February 8, 1991 . . . . . H5

APPENDIX I
Transcript of Oral Argument Before the Court of Appeals for the Federal Circuit. I1

APPENDIX J
United States Constitution, Amendment V and 35 U.S.C. § 102. . . . . J1

APPENDIX K
Excerpts from the Commissioner's Brief to the Court of Appeals for the Federal Circuit. K1

APPENDIX L
Rejected Claims 1-6 and 16-33 of the '253 Application L1

TABLE OF AUTHORITIES

Page

Cases

Andrews v. Hovey
123 U.S. 267, 31 L. Ed. 160 (1887),
reh'g denied, 124 U.S. 694,
31 L. Ed. 557 (1888) 8, 16-19

Cali v. Eastern Airlines, Inc.
442 F.2d 65 (2d Cir. 1971) 24

J.A. LaPorte, Inc. v. Norfolk Dredging Co.
787 F.2d 1577 (Fed. Cir. 1986), *cert. denied*,
479 U.S. 884, 93 L. Ed.2d 250 (1986). 8, 20

James v. Campbell
104 U.S. 356, 26 L. Ed. 786 (1882) 26

Kendall v. Winsor
62 U.S. 322, 16 L. Ed. 165 (1859). 14-18

Lorenz v. Colgate-Palmolive-Peet Co.
167 F.2d 423 (3d Cir. 1948). 20

Marsh v. Nichols, Shepard & Co.
128 U.S. 605, 32 L. Ed. 538 (1888) 26

Mathews v. Eldridge
424 U.S. 319, 47 L. Ed.2d 18 (1976) . . . 10, 26-28

Metallizing Engineering Co. v. Kenyon
Bearing & Auto Parts Co.
153 F.2d 516 (2d Cir. 1946),
cert. denied, 328 U.S. 840 (1946),
reh'g denied, 328 U.S. 881 (1946) 21

Page

O'Brien v. Westinghouse Electric Corp.
293 F.2d 1 (3d Cir. 1961) 19

Pennock v. Dialogue
27 U.S. 1, 7 L. Ed. 327 (1829) 12-15

Shaw v. Cooper
32 U.S. 292, 8 L. Ed. 689 (1833) 13, 14

TP Lab., Inc. v. Professional Positioners, Inc.
724 F.2d 965 (Fed. Cir. 1984), *cert. denied*,
469 U.S. 826 (1984). 8, 23

Watson v. Allen
254 F.2d 342 (D.C. Cir. 1958) 19

Statutes and Regulations

28 U.S.C. § 1254(1) 1
35 U.S.C. § 102 . . . . . .15, 19
35 U.S.C. § 102(a) 3
35 U.S.C. § 102(b) . . . . . *passim*
35 U.S.C. § 103 . . . . . .24, 25
35 U.S.C. § 112 23
35 U.S.C. § 261 26

Pub. L. No. 98-622, § 103,
98 Stat. 3384, (1984) 24

37 C.F.R. § 1.131. . . . . .11, 29
37 C.F.R. § 1.132. . . . . .11, 29
37 C.F.R. § 1.292. . . . . .11, 29
37 C.F.R. § 1.313(b) 2, 4
37 C.F.R. §§ 1.56, 1.56(a) 2
37 C.F.R. § 1.601. . . . . .11, 29

Page

Constitution

United States Constitution
art. I, § 8, cl. 8 . . . . . 10, 24, 30
amend. V 1, 25

Rules

Sup. Ct. R. 10.1(a) and (c) 1, 7

Other Authorities

M.P.E.P. § 2185 (Revision 13, November, 1989) . . .25

PETITION FOR WRIT OF CERTIORARI

REPORTS OF OPINIONS BELOW

The opinion of the Board has not been reported. The Federal Circuit affirmed the Board without opinion at *In re Maglica*, 1993 WL 514396 (Fed. Cir. 1993).

STATEMENT OF JURISDICTION

The judgment of the Federal Circuit was entered on December 13, 1993. (App. F1-2). The Supreme Court has jurisdiction over this Petition pursuant to 28 U.S.C. § 1254(1) and pursuant to Sup. Ct. R. 10.1(a) and (c).

CONSTITUTIONAL AND STATUTORY PROVISIONS

This case involves the statutory on-sale bar of 35 U.S.C. § 102(b), (App. J2) and the U.S. Const. amend. V, Due Process Clause. (App. J1).

STATEMENT OF THE CASE

A. Nature of the Case and Proceedings Below

On December 13, 1993, the Federal Circuit affirmed the Board's February 9, 1993 decision (App. A1-11) affirming the Patent Office's rejection of claims 1-6 and 16-33 of U.S. Patent Application Serial No. 07/503,253 (" '253 application"). The invention of the '253 application is a flashlight having a "gripper" ("flashlight gripper invention") that comprises a sleeve of elastomeric material which enwraps a recessed portion of the flashlight barrel. The gripper enhances handling and also provides thermal and electrical insulation.

All claims of the '253 application were either allowed or indicated to be allowable by the Patent Office during prosecution of the parent application Serial No. 07/150,058 (" '058 application") or the '253 application. In fact, the '058 application would have issued as a patent if Petitioner, Mag Instrument, Inc. ("Mag Instrument"), had not withdrawn the application from issue. Mag Instrument had determined that one Donald A. Keller, while in Mag Instrument's employ, had

stolen the flashlight gripper invention and, in breach of his duty of confidentiality, had commercially exploited the invention before the critical date of § 102(b). Keller's activities were carried out clandestinely, for his own benefit, without Mag Instrument's knowledge or consent, and in secret competition with his own employer.

Mag Instrument withdrew the application from issue in order to satisfy its duty to disclose information which is material to the patentability of the application in accordance with 37 C.F.R., § 1.56(a), and disclosed to the Patent Office what it had learned about Keller's activities arguing that a "piratical use" exception to the bar of § 102(b) existed. The examiner, the Board, and the Federal Circuit disagreed.

B. Statement of Facts

1. Prosecution History

The '058 application for the flashlight gripper invention was filed January 29, 1988. Claims 1-15 and 23-25 were allowed and the issue fee paid. (App. B1-4). However, shortly before the assigned April 17, 1990 issue date, counsel for Mag Instrument determined the surreptitious activities of Keller might affect the patentability of these claims. Thus, in compliance with the duty of candor under § 1.56, Mag Instrument withdrew the application from issue under 37 C.F.R. § 1.313(b) so that it could bring these facts before the Patent Office for consideration. The '253 application was then filed on April 2, 1990 and included claims 1-6 (subject of this Petition) which the Examiner indicated would be allowable if rewritten to overcome a format rejection. (App. C4).

On July 31, 1990 an interview between the Examiner and Mag Instrument's counsel occurred at which the Examiner was given a copy of a Supplemental Disclosure Statement ("Statement") which had been filed in connection with withdrawing the application under § 1.313(b). The Examiner made this

Statement of record. (App. E1-2 & D1-6).[1]

Mag Instrument then rewrote claims 1-6 to overcome the Examiner's rejection, and also added claims 7-24 (later renumbered as claims 16-33 which are subject of this Petition) which were essentially identical to the allowed claims of the '058 application. The Examiner then rejected claims 1-6 and 16-33 (App. L1-4) under §§ 102(a) and 102(b) in light of the facts set forth by Mag Instrument in its Statement. (App. D1-6). Mag Instrument's attempts at overcoming these rejections were unsuccessful and the claims were rejected. During appeal to the Board, the § 102(a) rejection was withdrawn; thus only the § 102(b) rejection is subject of this Petition. The facts conveyed in Applicant's Statement follow.

2. The Surreptitious, Piratical Acts Of Keller, A Faithless Employee

The flashlight gripper invention was conceived by Anthony Maglica who is the founder and owner of Mag Instrument, assignee of both the '058 and '253 applications. (App. H1-11). Mr. Maglica conceived the flashlight gripper invention prior to April, 1986 and disclosed the invention in confidence to Donald A. Keller while Keller was employed as Mag Instrument's Director of Marketing. (App. H1-11).

In April, 1986, Keller resigned from Mag Instrument and became President of Lite-Tek International Corp. ("Lite-Tek"), a competitor. Mag Instrument later discovered that Keller had been clandestinely forming Lite-Tek and working on its behalf even while still employed full-time by Mag

[1] Of course, the Patent Office must presume the facts set forth in the Statement are true. There is no reason to believe they are not true because if Petitioner wanted to deceive the Patent Office in order to obtain a patent, Petitioner simply would not have made any disclosure. Furthermore, the Patent Office must always presume that the applicant will make a truthful disclosure since the applicant is sworn to do so.

Instrument. (App. G9).[2] In January 1986, while serving as Mag Instrument's Director of Marketing, Keller had secretly approached representatives of Kershaw Knives ("Kershaw") at a trade show, denounced Mag Instrument, and advised Kershaw that he was going to leave Mag Instrument, set up his own company to manufacture flashlights, and compete with Mag Instrument. Keller invited Kershaw to help fund the new venture and was told that Kershaw was potentially interested in being his customer but not his business partner. (App. G9).

On March 5, 1986, Keller secretly traveled to Kershaw's Wilsonville, Oregon headquarters where he reaffirmed his intention to leave Mag Instrument. He announced that Lite-Tek was now in business, and that he was president thereof. (App. G9-10). Keller offered, on behalf of Lite-Tek, to manufacture and supply Kershaw with a flashlight that incorporated a recessed rubber sleeve (the subject of Mag Instrument's Patent application), and which would be privately labelled with the Kershaw name and supplied to Kershaw on an exclusive basis. Kershaw placed an order for samples of Lite-Tek flashlights. An initial volume of 1,000 flashlights per week was also discussed, and Keller indicated that he could supply this volume of flashlights by the summer of 1986. (App. G9-10). Keller brought several flashlight samples with him to the March 5, 1986 meeting which did not incorporate a recessed rubber sleeve. (App. G9-10).

It should be emphasized that Keller's self-dealing negotiations with Kershaw and his offer of a flashlight incorporating Mr. Maglica's recessed rubber-sleeve invention occurred while Keller was *still* a full-time employee of Mag Instrument, and that Keller acted surreptitiously, *without* the knowledge or consent of Mag Instrument and against Mag Instrument's economic interest. (App. G9-10).

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[2] The facts set forth below regarding Keller's surreptitious taking of Mr. Maglica's invention were uncovered as a result of an investigation which began in February, 1990. (App. G1-3 & 29). The above-mentioned Statement under § 1.313(b) was filed as a result of this investigation.

Though it is not known exactly when Lite-Tek made its first flashlight incorporating a recessed rubber sleeve, it appears that in the summer of 1986, a prototype of the flashlight was in existence. (App. G5-6). Kershaw received definitive pricing reflecting the rubber sleeve from Keller by May 8, 1986. (App. G11). At about this time, Kershaw placed an order for 50,000 flashlights. (App. G11).

By the summer of 1986, it appears that Kershaw reached an agreement with Snap-On Tools ("Snap-On") whereby Kershaw would be the exclusive supplier to Snap-On of flashlights purchased from Lite-Tek. (App. G11). In late October, 1986, Kershaw received a shipment from Lite-Tek of some 10,000 flashlights. It appears that some of these flashlights were first shipped by Kershaw to Snap-On in late October or early November, 1986. (App. G11).

Petitioner is aware of no evidence that Snap-On placed the Kershaw flashlights on sale before the January 29, 1987 critical date.[3] (App. G30). The investigation did not reveal the exact date on which Snap-On first made the flashlights available for sale to the public.[4] However, a rubber-sleeved Snap-On flashlight was obtained by a Mag Instrument sales representative from a Snap-On warehouse in Albany, New York, not earlier than March 8, 1987. The sales representative did not observe flashlights on the shelves and was told that the flashlights being given him were samples that Snap-On either had ordered or would be ordering. (App. G29-31).

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[3] The "critical date" is the date which is one year before the January 29, 1988 effective filing date of Petitioner's application.

[4] The attorney prosecuting the '058 application, Jon Hokanson, became aware of the possible existence of a new flashlight on the market with a recessed rubber sleeve in October, 1987, *after* Mag Instrument had disclosed the invention to him for the purpose of preparing an application. (App. G24-25). As a result of his 1987 investigation, he became aware of information indicating that Snap-On began selling the flashlight in February, 1987, and thus, he filed the '058 application within the one-year grace period provided by § 102 in January, 1988. (App. G25-27).

Petitioner's investigation, which began in February, 1990 sought to uncover facts material not only to the issue of the "on-sale" bar but also the "public-use" bar of § 102(b). During the investigation, persons employed by Lite-Tek indicated that Lite-Tek attended three trade shows from October 1986 to January 1987. (App. G5-7). None of the persons contacted indicated that a Lite-Tek flashlight including a recessed sleeve was present at the show in October 1986. (App. G6). While there was an indication that a Lite-Tek sleeved flashlight made for Kershaw was present at a show in December, 1986, the persons contacted were uncertain whether the flashlight was shown to anyone not associated with Lite-Tek or Kershaw, or whether it was offered for sale or sold at that show. (App. G6). It was also indicated that a Lite-Tek sleeved flashlight was in the possession of an individual associated with either Kershaw or Lite-Tek at the January 1987 Show. However, it was unknown if that flashlight was publicly shown to anyone not associated with Lite-Tek or Kershaw, or if that flashlight was offered or sold during that show. (App. G6).

Lite-Tek's sleeved flashlights were sold to Kershaw on an exclusive basis until August or September of 1987, at which time the sleeved flashlight was made available generally. (App. G22). Because of this exclusivity, as well as the exclusivity of Kershaw's arrangement with Snap-On, it is unlikely that either Lite-Tek or Kershaw would have promoted the sale of the sleeved flashlight to anyone during these trade shows or anyone other than Snap-On prior to the critical date.

3. Due Process

The Board, in affirming the Examiner's rejection of the claimed invention under § 102(b), and the Commissioner of Patents and Trademarks ("Commissioner") on appeal to the Federal Circuit, *refused* to evaluate the evidence upon which a piratical use exception to § 102(b) could be based. The Commissioner's brief to the Federal Circuit stated:

> Applicant sets forth in great detail the purported surreptitious, fraudulent and piratical activities that

> placed the claimed invention on sale. The Board (A006) did not find it necessary to evaluate these allegations and make a determination as to whether the invention was placed on sale as a result of surreptitious, piratical or fraudulent activities. The Commissioner shares the Board's view. (App. K1).

However, at oral hearing before the Federal Circuit, counsel for the Commissioner acknowledged that under certain circumstances a piratical use exception to the § 102(b) on-sale bar may exist. (App. I10-11). Despite the inconsistency of these positions, the Federal Circuit affirmed the Board.

The effect of the foregoing is that Petitioner has been denied its patent property right as a matter of course without any opportunity for any fair or meaningful hearing. Had Petitioner not disclosed to the Patent Office the previously unknown commercial activities initiated by a faithless employee, it would have received a patent on the flashlight gripper invention. Based on only a partial review of this disclosure and an admitted refusal to consider any of the surreptitious, fraudulent, and piratical activities set forth in that disclosure, Petitioner will be forever denied its patent rights absent intervention by the Supreme Court.

ARGUMENT

A. Summary of Reasons Why This Petition Should Be Granted

Special and important reasons for granting this Petition as set forth in Sup. Ct. R. 10.1(a) and (c) exist: *First*, the issue of whether the Patent Office should recognize a piratical use exception to the statutory bar of § 102(b) is one of first impression. This was acknowledged by the Commissioner and the Federal Circuit during oral argument before the Federal Circuit (App. I13). *Second*, to the extent that the Board, and the Federal Circuit by affirming the Board's decision, have determined that an exception does not exist (or should not be created) to the statutory bar of § 102(b) for piratical activity,

such a determination is contrary to the law of the Supreme Court. *Third*, the refusal by the Board to consider evidence of a piratical exception and the consequent denial of Petitioner's right to an otherwise allowable patent on Petitioner's invention violates Petitioner's right of Due Process. To extinguish a valuable property right without a full and fair hearing represents a radical departure from the accepted and usual course of judicial proceedings as to call for an exercise of the Supreme Court's power of supervision.

1. This Issue Of First Impression Has Been Decided By The Federal Circuit Contrary To Supreme Court Law

In a line of early decisions, the Supreme Court repeatedly indicated that an exception to the on-sale bar should exist when the pre-critical date activities giving rise to the bar result from piratical third party activities such as Keller's. However, no court has ever squarely decided the issue of whether the Patent Office should grant a patent when commercial activities, which would otherwise create a § 102(b) bar, were solely due to the surreptitious activities of a third party. That this is an issue of first impression was acknowledged at hearing before the Federal Circuit. (App. I13).

The general rule is that a sale of the invention prior to the critical date invalidates the patent under § 102(b). *J.A. LaPorte, Inc. v. Norfolk Dredging Co.*, 787 F.2d 1577, 1581 (Fed. Cir. 1986), *cert. denied*, 479 U.S. 884, 93 L.Ed.2d 250 (1986), and *Andrews v. Hovey*, 123 U.S. 267, 31 L.Ed. 160 (1887), *reh'g denied*, 124 U.S. 694, 719, 31 L.Ed. 557, 563 (1888). There are exceptions to this rule such as that pertaining to experimental use. *TP Lab., Inc. v. Professional Positioners, Inc.*, 724 F.2d 965, 972-73 (Fed. Cir. 1984), *cert. denied*, 469 U.S. 826 (1984). However, the Board and Federal Circuit have refused to recognize any exception based on third party piratical activities despite decisions of this Court which strongly indicate that an exception should exist.

Accordingly, Mag Instrument requests that this Court recognize an exception to the statutory bar where, as here, any pre-critical-date acts which might otherwise raise the bar were those of a third party who, owing a duty of confidentiality to the inventor and acting surreptitiously, misappropriates the invention from the inventor and exploits it for his own gain, without the knowledge of, or benefit to the inventor.

Decisions of this court recognize that the inventor should be protected from theft of his invention, and that it was not Congress's intent to include piracy in the group of acts which may create a bar. In fact, several decisions of this Court specifically addressed facts where the piracy was performed by a third party in breach of an employer/employee or other confidential relationship. The notion that piratical use of an invention should not deprive the victimized inventor of his right to a patent has also been embraced, at the least, in principle by the various Circuit Courts of Appeal.

Such an exception also furthers the policies associated with § 102(b). The exception furthers the policy that innocent inventors who maintain the confidentiality of their inventions during development should be protected from theft just like any other property holder. This policy is effected by not holding the inventor liable for knowledge of when the one-year grace period under § 102(b) started accruing based on piratical acts, because such acts, by their surreptitious nature, are unknown and/or unascertainable to the inventor. Failure to recognize this policy forces inventors to file their applications prematurely in fear that a bar may have arisen, which in turn will result in the filing of incomplete applications in contradiction to important Patent law policies: (a) an inventor should be allowed a grace period to develop the invention and file an application, (b) upon patent issuance, the disclosure should adequately inform the public in a manner commensurate with the seventeen-year patent monopoly, and (c) the Patent Office should not be inundated with incomplete applications.

The exception for piracy also promotes the policies that inventions be timely developed and brought to market for public benefit, as well as the Constitutional mandate of promoting the progress of science and the useful arts. The exception serves these policies by avoiding a chilling effect which would make inventors hesitant to confidentiality disclose their inventions to others out of fear of piracy, even though such disclosure is necessary or helpful to enlist assistance to develop the invention. The exception also serves the policy prohibiting extensions of the patent monopoly because in the case where a surreptitious, piratical third party, and not the inventor, commercializes the invention prior to the critical date, the *inventor* has not violated the policy and thus should not suffer a loss of patent rights.

Finally, the exception is the only way the rightful inventor can be protected. The loss of one's patent rights is an irreparable injury. Even if relief can be obtained from the fraudulent and piratical wrongdoer, such relief cannot account for or protect against the further making, using, or selling by others of the inventor's unpatented invention.

2. By Denying Petitioner Due Process, The Federal Circuit Has Sanctioned a Departure From The Accepted And Usual Course of Judicial Proceedings

It is beyond dispute that a United States Patent represents a property right having its origins in the U.S. Const. art. I, § 8, cl. 8. Accordingly, Petitioner has a protected property interest in the patent for its *invention that was deemed by the Patent Office to contain patentable subject matter*, and then denied without a fair or meaningful hearing of all of the evidence.

Because there is a protected property interest, the balancing of the three factors set forth in *Mathews v. Eldridge*, 424 U.S. 319, 47 L.Ed.2d 18 (1976), — i.e., private interest affected, risk of erroneous deprivation of such interest through current procedure and probable value of additional procedural safeguards, and governmental burden resulting from additional

procedural safeguards, — confirms that denial of a fair or meaningful hearing violates due process.

First, the private interest effected by the denial of a hearing is the unique and valuable right to exclude others from making, using, and selling the invention for seventeen years and to recover damages for infringement. The magnitude of this property interest, and the fact that denial thereof represents an irreparable loss for which meaningful compensation cannot be measured, confirms that this factor weighs heavily in favor of providing a fair or meaningful hearing.

Second, because currently *no* fair or meaningful hearing on the evidence is available to Petitioner on whether a bar arises from such piracy, the risk of erroneous deprivation of the property right is obviously high, if not a foregone conclusion. Here, when Petitioner determined that evidence material to the patentability of the invention existed after the application had been allowed and set to issue, Petitioner submitted this evidence to the Patent Office pursuant to its duty of candor. In response, the Board "merely received" the evidence and rejected the application as a matter of course without evaluating the possibility of an exception to § 102(b). The value of procedural safeguards, i.e., meaningfully considering the evidence, is self-evident if even one protected property interest is saved from improper denial given the present lack of any procedural safeguards whatsoever.

Third, the burden on the Patent Office resulting from its consideration of such evidence would be minimal if not nonexistent. The Patent Office is already equipped to consider, and does consider, evidence submitted under 37 C.F.R. § 1.131 to antedate prior art, or under 37 C.F.R. § 1.132 to traverse a grounds of rejection. Furthermore, the Patent Office also conducts investigative, *inter partes* proceedings such as interferences and public use proceedings. *See*, 37 C.F.R. §§ 1.292 and 1.601. The burden on the Patent Office to consider evidence such as Petitioner's would be very low, and in any event, the burden is substantially outweighed by factors one and two.

B. The Courts Have Recognized an Exception to the General Third Party Rule Such That Surreptitious, Piratical Third Party Activity Should Not Create a Bar to Patentability

The Board, which was affirmed by the Federal Circuit without opinion, held that "we are nevertheless constrained to conclude that there is no presently existing exception to the so-called general rule regarding third party sales and that we should not attempt to create one." (App. A5). The Board's primary basis for its holding was that "[t]he fact remains that to date, there has been no recognition in our law of the existence of the exception for which the appellant contends." (App. A10).

This is inaccurate because although this issue has not been raised in the Patent Office during the pendency of an application, the courts (in the context of an already issued, but challenged patent) have consistently recognized the propriety of an exception to the general on-sale rule encompassing piratical acts of a third party such as Keller; this recognition including decisions from the Supreme Court. The Federal Circuit's affirmance of the decision of the Board ignores these earlier decisions by the Supreme Court.

1. The United States Supreme Court Has Repeatedly Recognized That an Exception Should Exist

In applying this country's early patent statutes which were based on the same underlying policies guiding the statutes of today, the Supreme Court recognized that surreptitious, piratical third party acts should fall within an exception to the general rule that third party activity may create a bar to patentability.

In *Pennock v. Dialogue*, 27 U.S. 1, 7 L.Ed. 327 (1829), the Supreme Court addressed the public use bar under Section 1 of the Patent Act of 1793. There, the inventor had for *seven* years, "voluntarily permit[ted] his invention to be known and used, as a thing not intended to be patented . . . ." *Pennock*,

27 U.S. at 11, 7 L.Ed. at 331. The court held the patent invalid due to the prolonged, *permissive* use antedating the application. However, in considering what types of prior knowledge or use might serve to bar a patent, the court first noted that the patent laws did *not* operate such that "if the invention should be pirated, the use or knowledge obtained by the piracy, or otherwise obtained without the knowledge or consent, and without the fault of the inventor, would bar him from getting a patent." *Pennock*, 27 U.S. at 12, 7 L.Ed. at 331. The court also stated: "[I]f before his application for a patent his invention should be pirated by another, or used without his consent; it can scarcely be supposed that the Legislature had within its contemplation such knowledge or use." *Pennock*, 27 U.S. at 19, 7 L.Ed. at 333. Later, in borrowing from the existing body of English law, the court stated: "The use here referred to has always been understood to be a public use, and not a private or surreptitious use in fraud of the inventor." *Pennock*, 27 U.S. at 20, 7 L.Ed. at 334. The court then stated: "In respect to a use by piracy, it is *not clear that any such fraudulent use is within the intent of the statute*; and upon general principles it might well be held excluded." *Pennock*, 27 U.S. at 22, 7 L.Ed. at 335 (emphasis supplied). Thus, this Court, in dictum at least, has strongly indicated that there should be an exception to the prior use bar when the use was piratical because it believed that piratical uses were not intended by Congress to inure to the inventor's detriment. In so doing, *Pennock* recognized the policy stated above that an innocent inventor should be protected from theft just like any other property holder.

The exception was again embraced, albeit in dictum, by this Court in *Shaw v. Cooper*, 32 U.S. 292, 8 L.Ed. 689 (1833). There, an invention was pirated by a person in a confidential relationship to the inventor. Although the court held that a public use bar was established by the *inventor's long acquiescence* in such public use, the court qualified its holding in these words: "there may be cases, in which a knowledge of the invention may be *surreptitiously obtained*

and *communicated to the public*, that do not affect the right of the inventor [to a patent]." *Shaw*, 32 U.S. at 319, 8 L.Ed. at 699 (emphasis supplied). *Shaw* thus suggested the exception should be recognized on facts similar to the present facts in that the piracy occurred in connection with a third party's breach of a duty of confidence owed to the inventor. In so doing, *Shaw*, like *Pennock*, recognized that in simple fairness, an innocent inventor should be protected from theft. Because the theft in *Shaw* occurred in breach of a confidential relationship however, this policy has even stronger application because though all theft is bad, theft in violation of a special relationship of trust is even more egregious. Given Keller's breach of his confidential relationship with Mr. Maglica and Mag Instrument, policy dictates that Keller's acts should fall within the exception suggested by *Shaw*.

In a subsequent decision, *Kendall v. Winsor*, 62 U.S. 322, 16 L.Ed. 165 (1859), this Court applied Section 7, first clause, of the Patent Act of 1839, which afforded a defense to infringement where the infringing activity derived from uses of the invention antedating the patent application. At the trial court level, the defendant's prior use defense failed and the patentee obtained a judgment for infringement.

On appeal, this Court upheld a jury instruction to the effect that if knowledge of how to construct an infringing machine was procured from a disloyal employee of the inventor, in breach of a promise to the inventor to keep the machine's construction and manner of operation secret, the infringer could not rely upon his pre-application use of the machine, constructed for him by the disloyal employee, to raise a prior use defense to infringement. The court stated:

> [Inventors are] *entitled to protection against frauds or wrongs practiced to pirate from them the results of thought and labor* . . . . [I]f before his application his invention should be pirated by another, or used without his consent, it can scarcely be supposed that the Legislature had within its contemplation such knowledge or use.

Kendall, 62 U.S. at 329, 16 L.Ed. at 168 (emphasis supplied) (quoting *Pennock* 7 L.Ed. at 333).

The factual similarity between *Kendall* and this case bears particular emphasis. In *Kendall*, the patentee's machine had been kept under strict conditions of secrecy, similar to the obligations of secrecy that Keller owed to Mag Instrument in regard to the flashlight gripper invention. In *Kendall*, the invention was copied for the defendant by one Aldridge, a former employee of the plaintiff, who "while in the plaintiff's employment, under a pledge of secrecy" had learned how the machine worked and so was able to make the copy. *Kendall*, 62 U.S. at 325, 16 L.Ed. at 166. In similar fashion, Keller learned of the invention while in the employ of Mr. Maglica, and like the faithless Aldridge, copied and exploited the invention in breach of his duty to Mag Instrument to keep it secret.[5] The jury instruction which the Supreme Court found correctly stated the law was:

> That if Aldridge, under a pledge of secrecy, obtained knowledge of the plaintiff's machine . . . and thereupon, at the instigation of the defendants, and with the knowledge, on their part, of the surreptitiousness of his acts, constructed machines for the defendants, they would not have the right to continue to use the same after the date of the plaintiff's letters patent.

Kendall, 62 U.S. at 326, 16 L.Ed. at 167. Thus, upon facts strikingly similar to those presented by this Petition, the Supreme Court in *Kendall* again embraced the exception that Mag Instrument requested the Board and Federal Circuit to apply. Policy considerations compel application of this exception under the facts of *Kendall* and of this Petition.

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[5] Besides the fiduciary duty to maintain secrecy established by operation of law, Keller was contractually bound by a written agreement to keep Mag Instrument's confidential information secret, and to refrain from exploiting it after leaving Mag Instrument's employ. (App. G13-16).

First, like the inventor in *Kendall*, Mr. Maglica and Mag Instrument did not impermissibly attempt to extend the patent monopoly. Instead, the only source of commercialization was Keller's acts of thievery. Thus, like the inventor in *Kendall*, Mr. Maglica should not be penalized because he complied with the policy against monopoly extensions, and such a penalty may be avoided by applying the exception.

Second, this Court in *Kendall* honored the policy of protecting the inventor from theft. This Court should similarly protect Mr. Maglica from Keller's theft by not holding Mr. Maglica liable for knowledge of the date when Keller's surreptitious acts occurred, the surreptitious nature of which prevented Mr. Maglica from ascertaining their occurrence.

Third, allowing injury through the loss of patent rights to innocent inventors based on the thievery of employees like Aldridge and Keller flies in the face of the policies that inventions be developed for public benefit and that progress of science and the useful arts be promoted. Development and marketing of inventions for public benefit and the progress of science requires inventors who are employers to disclose their inventions to their employees for assistance in affecting any necessary development. Putting inventors at unnecessary risk from such disclosures would only make inventors reluctant to seek help, even from their own trusted employees in developing their inventions. The resulting chilling effect would hinder the development of inventions for public benefit and retard the progress of science and useful arts.

Subsequent decisions of the United States Supreme Court continued to recognize an exception for piratical third party activity. In *Andrews v. Hovey*, 123 U.S. 267, 31 L.Ed. 160 (1887), *reh'g denied*, 124 U.S. 694, 31 L.Ed. 557 (1888), *supra*, the Court applied § 7, second clause of the Patent Act of 1839, which, like § 102(b), served to create a bar where purchases, sales, or public uses occurred more than two years prior to the application. In reiterating the *Kendall* Court's acknowledgement of an exception, the *Andrews* Court stated:

> *It may well be that a fraudulent, surreptitious and piratical purchase or construction or use of an invention prior to the application for the patent would not affect the rights of the patentee under either clause of the 7th section*; but the present is not such a case as that which existed in *Kendall v. Winsor*. In the use of [the invention] in public . . . by others than Green [the patentee], more than two years before his application, *we see nothing in the evidence under which such use can properly be characterized as fraudulent, piratical, or surreptitious*.

Andrews, 124 U.S. at 708, 31 L.Ed. at 560 (emphasis supplied). While the public use under consideration in *Andrews* created a bar to patentability, it was conceded by the patentee Green in *Andrews* that after he had *publicly* exhibited his invention, "the rumor of it spread, and the value of it became apparent; and other persons, without Green's consent and allowance, did put the invention into public use without his knowledge." *Andrews*, 124 U.S. at 708, 31 L.Ed. at 560.

Andrews is distinguishable from *Kendall* and the present Petition because in *Andrews*, Green did not maintain the invention's secrecy; he displayed it for all the world to see. Thus, any third party observing Green's display, and who later practiced his invention, was *not* acting surreptitiously and fraudulently as to Green. Though they might have acted without his consent, they were not his employees, were under no duty of confidentiality, and did not steal the invention.

Despite the fact that no piracy was evident in *Andrews*, the *Andrews* Court still saw fit to acknowledge the appropriateness of an exception for piracy. Nevertheless, in its opinion in this case (App. A7), the Board made much of the *Andrews* Court's ultimate holding that:

> [t]he second clause of the 7th section seems to us to clearly intend that, where the purchase, sale, or prior use referred to in it has been for more than two

> years prior to the application, the patent shall be held to be invalid, without regard to the consent or allowance of the inventor.

Andrews, 124 U.S. at 719, 31 L.Ed. at 564. This, however, is merely a restatement of the general rule regarding third party activity, and in the context, it makes sense because *Andrews* involved no surreptitious, piratical acts. Where no theft is involved, Mag Instrument does not question the applicability of the general rule because in such cases, the policy considerations noted above do not come into play. For example, Green's own public display in *Andrews* could very well have represented his own attempts at commercialization in violation of the policy against monopoly extension. Furthermore, Green did not keep his invention secret and so was not within the principle, repeatedly approved by this Court, that innocent inventors be protected against theft.

In its opinion in this case, the Board stated, that "[a]lthough the appellant seems to believe that the holding in *Kendall* . . . is directly in point . . ., it is apparent that the court in *Andrews v. Hovey, supra*, did not agree." (App. A7). The Board attempted to lessen the applicability of *Kendall* by stating that the *Andrews* court "took great pains to point out that *Kendall v. Winsor* related to a jury instruction pertinent only to the *first* clause of § 7 . . . whereas the question before the court in *Andrews v. Hovey* was directed to matters covered by the *second* clause of § 7 . . . ." (App. A7) (emphasis in original). The *Andrews* Court did distinguish *Kendall*, but only on the basis that there was "nothing in the evidence under which such use can properly be characterized as fraudulent, piratical, or surreptitious." *Andrews*, 124 U.S. at *708*, 31 L.Ed. at 560. Evidence of piracy *did* exist, however, with Aldridge in *Kendall*, and does exist with Keller here. In any event, the *Andrews* Court acknowledged that piracy would not affect the patentee's rights under *either* clause of § 7.

2. Recent Case Law Also Confirms That an Exception to the General Rule Should Exist

More recently, the courts have continued to recognize the appropriateness an exception to the § 102 bar for piratical activities. In *O'Brien v. Westinghouse Electric Corp.*, 293 F.2d 1 (3d Cir. 1961), a Westinghouse employee named O'Brien secured a patent on an invention relating to a drawing die and a method for making same. Prior to the critical date, however, and in anticipation of compensation from Westinghouse, O'Brien submitted his invention to Westinghouse on an employee suggestion form, and fully allowed Westinghouse to use the invention. Dissatisfied with the compensation awarded, O'Brien sued Westinghouse for infringement but the patent was held invalid due to Westinghouse's pre-critical-date public use. The court stated:

> O'Brien insists, however, that public use is not a defense 'if an invention is surreptitiously used by one other than the inventor'. O'Brien was given every opportunity to produce evidence that Westinghouse obtained and used the die making method by surreptitious means. The record discloses no such evidence.

O'Brien, 293 F.2d at 10-11. Hence, the *O'Brien* court suggested, albeit, in dictum, that it would have been appropriate to recognize an exception to the bar where there is evidence of surreptitious use, as there was here.

In *Watson v. Allen*, 254 F.2d 342 (D.C. Cir. 1958) (Warren E. Burger, J.), the court also suggested the existence of an exception to the statutory bar when the invention was stolen from an inventor. The court in *Watson*, 254 F.2d at 345, n.7, cited *Andrews v. Hovey* in stating that: "An exception may exist where the idea was gained surreptitiously from the inventor. *Shaw v. Cooper*, 1833, 7 Pet. 292, 32 U.S. 292, 8 L.Ed. 689." It is clear that the United States Supreme Court

and Circuit Courts of Appeal have repeatedly recognized, at least in dictum, the fairness and appropriateness of the exception here sought. This is an issue of first impression in that in all the foregoing cases, the patent had *at least issued* and was later challenged in litigation. Here, Petitioner has been *denied* a patent in the Patent Office.[6]

In its opinion, the Board stated, that "the cases which the appellant has cited in support of this proposition [i.e., creation of an exception] do not establish an exception of the sort which the appellant seeks." (App. A7). However, the Board, and Federal Circuit have simply overlooked the fact that the courts have never before been asked *explicitly* to establish such an exception, and *that the Supreme Court has provided clear guidance that given the proper circumstances, an exception should be applied.*

C. A Rule That Piratical Use Raises a Statutory Bar Ignores Policy Considerations

Any rule which provides that piracy may operate to bar a patent would be bad law and bad policy.

1. A Rule That Piratical Activities Create a Bar to Patentability Does Not Serve the Policy Against Patent Monopoly Extension

A primary policy underlying the § 102(b) bar serves to prevent an inventor from extending his patent monopoly by

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[6] In the appeal below, Petitioner brought the decisions in *J.A. LaPorte, Inc. v. Norfolk Dredging Co.*, 787 F.2d 1577 (Fed. Cir. 1986), *cert. denied*, 479 U.S. 884, 93 L.Ed. 250 (1986), and *Lorenz v. Colgate-Palmolive-Peet Co.*, 167 F.2d 423 (3d Cir. 1948), to the attention of the Board and Federal Circuit. In these cases, it was determined that third party acts sufficed to invalidate a patent. However, in both cases, the inventor freely disclosed his invention to a third party under no obligation of secrecy, let alone under the obligations Keller was as an employee of the inventor. Furthermore, in *LaPorte* the third party acts occurred *with* the inventor's knowledge. And in *Lorenz*, the inventor's disclosure of the invention to the third party was for purposes of economic gain which would benefit the inventor and amount to an impermissible extension of the patent term. This circumstance does not exist in Petitioner's case.

extending the length of time he may exclusively exploit the invention. A rule that would bar or void a patent when the invention has been surreptitiously exploited by a third party would not advance this policy. As explained in *Metallizing Engineering Co. v. Kenyon Bearing & Auto Parts Co.*, 153 F.2d 516, 520 (2d Cir. 1946) (Learned Hand, J.), *cert. denied*, 328 U.S. 840 (1946), *reh'g denied*, 328 U.S. 881 (1946):

> it is a condition upon an inventor's right to a patent that he shall not exploit his discovery competitively after it is ready for patenting; he must content himself with either secrecy, or legal monopoly. . . . [I]f he goes beyond that [one-year] period of probation, he forfeits his right. . . .

Where the inventor has not exploited the invention, nor taken steps such as voluntary and unrestricted disclosure whereby third parties can exploit the invention, it is clear that the inventor has not violated this policy. That a third party pirate is able to exploit an invention because he stole it from the inventor does not change this scenario because, again, the *inventor* has done nothing offensive to the policy against monopoly extension. Thus, imposing a bar based on third party exploitation which is the result of outright thievery serves only to penalize an innocent inventor while *not* serving the policy of § 102(b) against patent monopoly extension.

2. An Inventor Who Maintains Confidentiality Should be Protected From Theft Like Any Other Property Holder

The Supreme Court decisions discussed earlier stand for the policy that an innocent inventor maintaining the confidentiality of his invention should be protected from theft just like any other property holder, and from the loss of patent rights due to theft. That this policy applies to inventors who maintain confidentiality as opposed to inventors allowing unrestricted disclosure makes sense because by allowing disclosure, resulting third party use may be lawful and not piratical.

This policy is effected by not holding the inventor liable for knowledge of when the one-year grace period under § 102(b) started accruing based on piratical acts which, by their surreptitious nature, are unknown and unascertainable by the inventor. Such a policy is desirable because where the inventor has complied with the policy against extending the patent monopoly by refraining from exploitation of the invention, undetected theft of the invention leaves the inventor with no way of knowing when a bar date may have been established. This theft would put the inventor at a distinct disadvantage through no fault of his own.

Application of this policy by not holding the inventor liable for knowledge of the surreptitious acts of thieves becomes more compelling when a confidential relationship exists between the inventor and the surreptitious third party. Here, the inventor has a right to expect that confidentiality obligations will be honored, and that piracy will not occur. He lacks notice that a theft has occurred, and by the time suspicion is aroused, the bar date may well have passed.

Application of this policy is even more compelling where the confidential relationship is that of employer/employee and is confirmed by written agreement such as that between Mag Instrument and Keller. (App. F13-16) Here, the surreptitious third party is on the *same team* as the inventor, who has every right to expect his loyalty. Thus, the inventor in a case like the present one would be least apt to suspect piracy, and thus, subject to the greater chance that by the time suspicion is aroused, the bar date has come and gone.

The need to protect the property owner from theft is particularly keen when it comes to patent rights. If a thief steals a tangible item, the owner has some hope of getting *that item* back or recouping its value; but lost patent rights cannot be returned and cannot adequately be compensated by damages. Thus, the inventor who has lost patent rights is irreparably injured. Holding the inventor liable for knowledge of a thief's acts also leads to other consequences which fly in the face of established policy and are contrary to the public interest.

For example, the cautious inventor fearing that unknown surreptitious activity may establish a bar date, may feel compelled to file his patent application as soon as he has conceived of any potentially valuable invention — any conception however primitive, unstudied, untested or undeveloped — lest someone, even a trusted employee pirate the invention and destroy the inventor's hopes of obtaining a patent.

First, compelled filing of applications directly contradicts the policy that "the public interest is also deemed to be served by allowing an inventor time to perfect his invention . . . and prepare a patent application." *TP Lab.*, 724 F.2d at 968. Second, premature filings result in applications which are vague, sketchy, and incomplete disclosures rather than fully-developed disclosures. This results in the Patent Office being inundated with applications not worthy of examination.

Furthermore, undesirable end results may come to pass if the inventor is not protected from thieves under his own roof. One result is that the possibility of obtaining a patent at all, or one of any value, is reduced if hasty filing hampers compliance with the written description, enablement, and other requirements of 35 U.S.C. § 112. The scantier a disclosure is, the less commensurate with the seventeen-year patent monopoly bestowed upon the inventor at the public's expense.

Mag Instrument submits that the patent system would be ill-served by a rule that holds the inventor liable for knowledge of third party acts whose surreptitious nature prevents their detection, and a rule which virtually compels premature filing. Just as the experimental use exception to the § 102(b) bar operates to give inventors latitude to refine and perfect inventions before they must file, so too does an exception for fraudulent, surreptitious, and piratical third party acts.

3. The Exception Now Sought Serves the Policies of Timely Development of Inventions for Public Benefit, and of Promoting the Progress of Science

In many technologies, the process of conceiving and perfecting an invention involves a group, rather than a lone individual. Many inventions are made and developed by teams working in laboratories or corporate research-and-development departments, and the free sharing of ideas among colleagues not only accelerates the process but often makes possible an advance that would have been beyond the grasp of any one team member working alone.

Free discussion among team members would undoubtedly be inhibited, however, if each member had to fear that a breach of secrecy by *any* member might spoil the chance for a patent. If this were the rule, a chilling effect on the free exchange of information would permeate inventive entities, and inventors would be encouraged to do their work in solitude. And even where teamwork was necessary, this chilling effect would create a tendency to share information less freely than would otherwise be the case.

A rule that makes an inventor wary of disclosing his idea to strangers is one thing, but a rule which makes him wary of sharing ideas with *his own secrecy-bound coworkers* would be destructive of the patent system's fundamental mandate to "promote the Progress of Science and useful Arts . . ." (U.S. Const., art. I, § 8, cl. 8; *cf. Cali v. Eastern Airlines, Inc.*, 442 F.2d 65, 69, (2d Cir. 1971) (the court observing that if "the statutory 'public use' period [were] to run in every case from the time that an employee communicated a raw idea to his superiors for evaluation and exploitation in their unfettered discretion . . . [it] might stifle inventiveness.")

In a related context, Congress and the Patent Office have plainly recognized the undesirability, from a policy standpoint, of administering the patent laws in such a way that communication among research-and-development team members is discouraged. By Pub. L. No. 98-622, § 103, 98 Stat. 3384, (1984), a second paragraph was added to 35 U.S.C. § 103. The added paragraph provides, in effect, that subject matter which would otherwise qualify as prior art will not be counted in making the obviousness determination if that

subject matter and the invention "were, at the time the invention was made, owned by the same person or subject to an obligation of assignment to the same person." § 103. As the Manual of Patents Examining Procedure explains:

> Public Law 98-622 *changed a complex body of case law which discouraged communication among members of research teams working in corporations, universities or other organizations.*
>
> * * *
>
> New technology often is developed by using background scientific or technical information known within an organization but unknown to the public. 35 U.S.C. 103, second paragraph, by disqualifying such background information from prior art when making obviousness determinations, *encourages communication among members of research teams*, and *leads to more public dissemination through patents of the results of team research.* (MPEP § 2185 Revision No. 13, November, 1989) (emphasis supplied).

If the discouragement of teamwork at the art's frontiers is an evil which Congress deems worth avoiding, then an exception to the § 102(b) bar in third party piracy cases involving employee theft, such as that presented by this Petition, should be recognized for the sake of that same policy.

D. Petitioner Has Been Denied Due Process

The fact that Petitioner has had no opportunity to be fairly or meaningfully heard on the evidence relating to the issue of whether third party piratical activity may create a bar, constitutes a violation of Petitioner's right of Due Process under the U.S. Const. amend. V. Accordingly, the Federal Circuit's affirmance of the Board represents a radical departure from the accepted and usual course of judicial proceedings that provide for some modicum of fair or meaningful opportunity to be heard. This is a case which calls for an exercise of the Supreme Court's power of supervision.

The Due Process determination is a two step analysis: (1) determine whether a property interest protected by the Fifth Amendment exists and (2) balance the relevant factors to determine whether a due process violation has occurred. *See Mathews*, 424 U.S. 319, 47 L.Ed. 18.

1. Petitioner has a Protected Property Interest in the Patent on the Flashlight Gripper Invention

It is axiomatic that a patentee has a protected property interest in a patent. *James v. Campbell*, 104 U.S. 356, 357-358, 26 L.Ed. 786, 787 (1882), and 35 U.S.C. § 261 ("patents shall have the attributes of personal property.") That there is a protectable property interest in this case is confirmed by the Patent Office's allowance of the parent '058 application (App. B1-4), scheduling it to issue as a patent, and the indication by the Patent Office that the claims of the continuation '253 application would be allowable if rewritten to overcome an objection pertaining to claim format. (App. C4).

In *Marsh v. Nichols, Shepard & Co.*, 128 U.S. 605, 32 L.Ed. 538 (1888), the patents were inoperative due to a missing signature. The Court stated, that "they were not barred from afterwards obtaining a correction of it so as to render it effective as a patent, to which *they had become entitled*." *Marsh*, 128 U.S. at 614, 32 L.Ed. at 541 (emphasis supplied). Similarly, Petitioner, its invention *twice determined to be patentable*, has a property interest in a patent for its invention.

2. The Balance of Relevant Factors Establishes that a Violation of Due Process Occurred

Being that Petitioner has a protectable property interest, the second step of Due Process involves balancing three factors:

> "first, the private interest that will be affected by the official action; second, the risk of an erroneous deprivation of such interest through the procedures used, and the probable value, if any, of additional or substitute procedural safeguards; and finally, the government's interest, including the function

> involved and the fiscal and administrative burdens that the additional or substitute procedural requirement would entail."

Mathews, 424 U.S. at 335, 47 L.Ed.2d at 33. Balancing these factors confirms that a Due Process violation exists.

a. The Private Interest Affected is Unique and Incalculably Valuable

The magnitude of the patent property right involved *weighs heavily in favor of providing procedural safeguards* such as the Patent Office evaluating evidence of surreptitious, piratical, and fraudulent commercial activities. At stake is Petitioner's right to exclude others from making, using, and selling the invention for seventeen years, as well as the right to recover damages for any infringing use. The significance of this property right is made clear when considering the harm to Petitioner arising from the denial thereof. Because Petitioner has no right to sue for infringement, it has absolutely no other recourse against those who might appropriate its patentable invention by making, using, or selling it for the next seventeen years. Furthermore, it is impossible to compensate Petitioner adequately with money for the lost right to exclude others from practicing its invention because damages for any future infringement cannot be ascertained.

b. The Risk of Erroneous Deprivation Is High, And The Value Of Procedural Safeguards Would Be Great

In addition to the enormously important property interest that a patent represents, the lack of an opportunity to be fairly or meaningfully heard on all of the evidence relating to the statutory bar issue creates a disproportionately high risk of an erroneous deprivation of this property right, if not creating a foregone deprivation as a matter of course.

In the case at bar, when Petitioner, after the application had been allowed and set to issue as a patent, determined that evidence material to the patentability of the invention existed, Petitioner submitted this evidence to the Patent Office pursuant to its duty of candor.

Thus, it is clear that the Board and the Federal Circuit sanction the process whereby the Patent Office "merely receives" the evidence and rejects the application as a matter of course without evaluating whether an exception to § 102(b) exists or if the evidence might fall within such exception.

However, at oral argument before the Federal Circuit, *counsel for the Commissioner admitted that an exception may be necessary in certain cases.* (App. I10-11). This prompted one of the judges on the Federal Circuit panel to comment that what the PTO is effectively saying is that it "will presume against him [i.e., the inventor] even though we recognize an exception may apply in an appropriate factual case; since we don't know what the facts are, you lose." (App. I12). The judge and counsel for the Commissioner *both* realized that such a presumption cannot fairly be defended. (App. I12).

However, in affirming the Board, the Federal Circuit effectively endorsed just such a presumption which amounts to a *guarantee* of deprivation of the property interest, in blatant disregard of this Court's directive that "some form of hearing is required before an individual is finally deprived of a property interest." *Mathews* 424 U.S. at 333, 47 L.Ed.2d at 32.

Beyond deprivation of the private interest, the value of additional procedural safeguards is not merely "probable" as contemplated by the *Mathews* test; the worth of procedural safeguards is self-evident because of the great value of saving even one patent from improper denial. In the cases cited above, the patent had at least issued, before being later litigated before the courts. Accordingly, the inventor was not deprived of his property right without a hearing. At the very least, because there are *no* safeguards currently in place, the creation of *any* safeguards practically guarantees their value.

c. The Incremental Fiscal And Administrative Burden Of Additional Safeguards is Low

When considering the low, if not nonexistent, incremental burden to the Patent Office in evaluating evidence such as Petitioner's as opposed to merely "receiving" it and rejecting

the application as a matter of course, it is clear that this factor is clearly outweighed by the previous two.

The low incremental burden is shown by the fact that Petitioner does not request that a new procedure be instituted. Instead, Petitioner seeks fair or meaningful consideration of the evidence, as opposed to the status quo where mere receipt of the evidence results in denial of a patent.

The low burden is also evidenced by the fact that the Patent Office is already equipped to consider, and does consider, evidence submitted under § 1.131 to antedate prior art, or under § 1.132 to traverse a ground of rejection. In his brief to the Federal Circuit, the Commissioner claims that the PTO is in no position to determine the guilt of a third party not before it. (App. K2). This is completely beside the point. Petitioner merely seeks that the Patent Office consider its evidence in same fashion as already considered in connection with §§ 1.131 and 1.132, and not to determine any person's guilt.

Furthermore, the Patent Office currently conducts investigative, *inter partes* proceedings such as interferences, § 1.601 *et seq.*, and public use proceedings, § 1.292 *et seq.* These already impose a heavy burden on the Patent Office such as that associated with patent litigation. These existing burdens are vastly greater than what Petitioner seeks — a meaningful consideration of its evidence. Accordingly, the burden on the Patent Office to consider evidence such as Petitioner's would be very low, and in any event, the burden is substantially outweighed by factors one and two.

Upon balancing the *Mathews* factors, it is clear that the high property interest in a patent and the high, if not guaranteed, risk of deprivation thereof created by a lack of procedural safeguards, substantially outweigh any governmental burden associated with the fair or meaningful consideration of evidence required by Petitioner's Due Process rights.

Finally, the government's interest in administrative convenience is not the only, nor by any means the most important factor to be weighed in the balance. The public's interest in

encouraging invention and sharing information within inventive entities is also implicated, as explained above; and a rule that blithely extinguish the patent rights of inventors who are the victims of thieves within their own companies hardly serves those important purposes, nor the broader purpose of the Patent laws "To promote the Progress of Science and useful Arts . . ." U.S. Const. art. I, § 8, cl. 8.

CONCLUSION

Upon all the foregoing grounds, Petitioner respectfully submits that special and important reasons exist for the grant of this petition: (1) The issue of whether based on an exception to the on-sale bar of § 102(b) exists or should be created for surreptitious and piratical activity to permit the issuance of a patent is one of first impression; (2) the Federal Circuit's decision that an exception does not exist or should not be created is in apparent disregard of the law of the Supreme Court; and (3) the Federal Circuit has sanctioned the denial of a patent as a matter of course without fair and meaningful consideration of the evidence submitted pursuant to the duty of disclosure, which represents such a radical departure from the accepted and usual course of judicial proceedings as to call for an exercise of the Supreme Court's power of supervision.

Dated: March 14, 1994.

Respectfully submitted,

LYON & LYON
A Partnership Including
ROBERT C. WEISS
A Professional Corporation

WILLIAM E. THOMSON, JR.
Counsel of Record

THEODORE S. MACEIKO
KYLE L. ELLIOTT

Attorneys for Petitioner
Mag Instrument, Inc.

APPENDIX A

Art Unit 3406
Paper No. 22
Appeal No. 92-3673
pam
ON BRIEF

MAILED
FEB 9 1993
PAT. & T.M. OFFICE
BOARD OF PATENT APPEALS
AND INTERFERENCES

UNITED STATES PATENT AND
TRADEMARK OFFICE

BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES

Ex parte Anthony Maglica

Application for Patent filed April 2, 1990, Serial No. 07/503,253, which is a continuation of Serial No. 07/150,058, filed January 29, 1988, now abandoned. Flashlight Gripper.

Jon E. Hokanson for appellant

Primary Examiner - Stephen F. Husar

Before McCandlish, Pendegrass and Stoner,

Examiners-in-Chief.

Stoner, Examiner-in-Chief.

This is a decision on the appeal from the final rejection of claims 1 through 6 and 16 through 33. Claims 7 through 15, the only other claims to have been pending in this application, have been canceled. We affirm.

As stated at pages 3 and 4 of the main brief:

> The claimed invention is a flashlight having a "gripper". The gripper consists of a sleeve of elastomeric material (e.g., rubber) which

> enwraps a recessed portion of the length of the barrel of the flashlight. The gripper enhances the grippability of the flashlight.

Claim 1 is illustrative of the subject matter on appeal and defines the invention as follows:

> 1. A flashlight including:
>
> a flashlight having a head assembly, a cylindrical barrel and a tailcap assembly;
>
> a recessed barrel portion extending axially along a predetermined length of said barrel and extending r&d~ally along the entire circumference of said barrel;
>
> an elongated, elastomeric tube open at both ends which fits over the recessed portion of the barrel of the flashlight; and
>
> means defined by said elongated, elastomeric tube for enhancing gripping on its outside surface.

No references are relied upon by the examiner.

Claims 1 through 6 and 16 through 33 stand rejected under 35 USC 102(b). That section provides that a person shall be entitled to a patent unless "the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States." In the present instance, the examiner is of the view that:

> The facts presented in applicant's supplemental Disclosure Statement (filed August 22, 1990) indicate that the invention was on sale or offered for sale in this country more than one year prior to the date of application for patent in the United States. Specifically, that flashlights as claimed by applicant were sold or offered for sale "as early as about May 8, 1986" (see page 9, line 24 of applicant's supplemental Disclosure Statement, Paper # 7)

> which is more than one year prior to the date of application for patent in the United States [answer, page 3].[1]

An additional rejection of the same claims under 35 USC 102(a) has been expressly withdrawn by the examiner (answer, page 2).

Under the heading "FACTUAL BACKGROUND," (brief, page 5) the appellant provides a description of a series of events beginning in January 1986 and continuing to the filing of the present application. Because the present application is a continuation of the appellant's application filed January 29, 1988, the critical date for purposes of consideration of any on-sale bar is January 29, 1987. We summarize the appellant's statement of facts as follows.

The inventor of the present subject matter, Anthony Maglica, is the owner of Mag Instrument, Inc., the assignee of the application. Before leaving Mag Instrument in April 1986, Donald A. Keller was its director of marketing. In January 1986, Keller approached representatives of Kershaw Knives with the news that he would leave Mag Instrument to set up his own flashlight manufacturing company. On March 5, 1986, while still employed by Mag Instrument, Keller secretly traveled to the headquarters of Kershaw Knives and indicated that his company, known as Lite-Tek, was in business and offered to manufacture and supply Kershaw with a two-cell AA flashlight that incorporated a recessed rubber sleeve. At that meeting, Kershaw ordered samples of these flashlights. On or before May 8, 1986,

---

[1] Paper No. 7 to which the examiner refers is actually an examiner interview summary record to which are attached photocopies of several petitions and supporting declarations filed in parent application Serial No. 07/150,058 for the purpose of withdrawing that application from allowance.

Kershaw received price quotations from Keller which included a separate, extra sum for a rubber sleeve. Kershaw placed an order for 50,000 flashlights. Regarding this sequence of events, the appellant states: "These facts suggests that as early as about May 8, 1986, there may have been an offer by Keller on behalf of Lite-Tek to sell, and an agreement by Kershaw to purchase, flashlights that included the recessed sleeve" (brief, page 11).

During the summer of 1986, Lite-Tek "was in the process of completing the development of a machined-aluminum flashlight which was to include the sleeve and a prototype of that flashlight was in existence" (brief, page 11). Also during the summer of 1986, Kershaw apparently reached an agreement with Snap-On Corporation to supply flashlights from Lite-Tek to Snap-On. In late October 1986, Kershaw received a shipment from Lite-Tek of 10,000 flashlights including the recessed sleeve. Kershaw in turn shipped these flashlights to Snap-On in late October or early November 1986. The appellant states:

> From the foregoing it appears that Kershaw ordered from Site-Tek a quantity of flashlight samples in early March 1986 as well as 50,000 additional flashlights in May 1986. At least at the time of the May 1986 order, it seems to have been contemplated that the flashlight would have some sort of rubber sleeve, as a price was quoted for that feature. While it is not certain, [b]ased on our investigation, that Lite-Tek possessed the flashlights at the time of these orders which included the recessed sleeve, it seems clear that the flashlights shipped to Kershaw in October 1986 did incorporate a recessed rubber gripper. It also appears that these flashlights were shipped by

Kershaw to Snap-On Tools before the critical date (brief, page 14).

The appellant does not dispute that the flashlights shipped prior to the critical date incorporate the claimed invention. Indeed, as we have just pointed out, the appellant has stated that it seems clear that the flashlights shipped to Kershaw in October 1986 incorporated a recessed rubber gripper. Additionally, with regard to the transaction between Kershaw and Snap-On involving the same flashlights, the appellant indicates that it appears that these flashlights were shipped by Kershaw to Snap-On Tools before the critical date. Nevertheless, the appellant is of the view that this activity, because it was without the inventor's knowledge or consent and was presumably in violation of duties of secrecy owed to the inventor or his company and from which activity the inventor derived no benefit should not give rise to a §102(b) bar. Indeed, it is the appellant's position, as thoroughly argued at pages 16 through 38 of the brief, that the particular facts of the present case should bring it within an exception to the general rule that a sale of a device embodying the claimed invention prior to the critical date creates a bar to patentability under §102(b), even if that sale is made by a third party rather than the inventor.

Having carefully considered the authorities and reasoning presented by the appellant in support of his position, we are nevertheless constrained to conclude that there is no presently existing exception to the so-called general rule regarding third party sales and that we should not attempt to create one. We accordingly affirm the examiner's rejection of the pending claims under 35 USC 102(b).

The appellant's characterization of the general rule regarding third party sales apparently stems from the language used by our court of review in *J.A. LaPorte*,

Inc. v. Norfolk Dredging Co., 787 F.2d 1577, 229 USPQ 435 (Fed. Cir. 1986). In that case, where the patentee Cucheran had permitted one Jantzen to photograph Cucheran's invention and gave him no directions concerning confidentiality, the court held that Jantzen's sale of a device embodying the invention to LaPorte prior to the critical date rendered Cucheran's patent invalid. The court stated:

> With respect to the inventor Cucheran, he cannot be viewed as a wholly innocent victim here. Cucheran placed the means of commercializing his invention in the hands of Jantzen, expressed no objection to Jantzen's sale of a device embodying the invention to LaPorte, and, shortly after that sale, entered into an arrangement with Jantzen and LaPorte to patent his invention. Cucheran's conduct violates one of the principal policies of §102(b) which is to encourage early filing. . . . On these facts we see no reason to consider making an exception to the general rule that a third-party sale of a device embodying the claimed invention prior to the critical date invalidates the patent under §102(b).

787 F.2d at 1583, 229 USPQ at 439 (citations omitted).

It is important to note that the court did not say that there was an existing exception for "a wholly innocent victim" but instead that they saw no reason to consider making an exception to the rule regarding third-party sales. The appellant is of the view that, "There is ample support in the law for the proposition that where the invention is commercialized without the knowledge, consent or acquiescence of the inventor, and solely because of the depredations of a thieving employee or faithless trustee, the inventor is not thereby deprived of his right to a patent," a proposition which the appellants

refer to as the "Invention Piracy Doctrine" (brief, page 20). Nevertheless, the cases which the appellant has cited in support of this proposition do not establish an exception of the sort which the appellant seeks.

Indeed, as the appellant has recognized, each mention of fraudulent, surreptitious or piratical purchase or construction or use of the invention contained in *Pennock v. Dialogue*, 27 US 1 (1829), *Shaw v. Cooper*, 32 US 292 (1833) and *Andrews v. Hovey*, 123 US 267, *on reh'g*, 124 US 694 (1888), is dicta. Although the appellant seems to believe that the holding in *Kendall v. Winsor*, 62 US 322 (1859), is directly in point (brief, page 21), it is apparent that the court in *Andrews v. Hovey, supra*, did not agree. In *Andrews v. Hovey*, the court took great pains to point out that *Kendall v. Winsor* related to a jury instruction pertinent only to the *first* clause of §7 of the Patent Act of 1839, whereas the question before the court in *Andrews v. Hovey* was directed to matters covered by the *second* clause of §7 of the Act of 1839 which, like our present law, rendered invalid patent claims directed to subject matter which had been on sale prior to the critical date. Ultimately, the Court stated at the conclusion of *Andrews v. Hovey*, "The second clause of the seventh section seems to us to clearly intend that where the purchase, sale or prior use referred to has been for more than two years prior to the application the patent shall be held to be invalid, *without regard to the consent or allowance of the inventor*." 124 US at 719 (emphasis ours). In fact, it is for just this holding that the court in *J.A. LaPorte* cites *Andrews v. Hovey*, 787 F.2d at 1581, 229 USPQ at 437.

The appellant has, with admirable candor, directed attention to *Lorenz v. Colgate-Palmolive-Peet Co.*, 167 F.2d 423, 77 USPQ 138 (3rd Cir. 1948), a case which undermines the notion that an exception to the third

party sale doctrine exists.[2] In *Lorenz*, the facts of which are briefly outlined at page 26 of the appellant's brief, the court of appeals for the third circuit stated:

> [W]e are forced to the conclusion that the decisions of the Supreme Court in Klein v. Russell (86 US (19 Wall) 433 (1874)) and in Andrews v. Hovey, on rehearing, and that of the Circuit Court of Appeals for the Second Circuit in Eastman v. Mayor of New York (138 F. 844 (1904)) . . . point the way to the ruling which we must make on this point. The prior public use proviso of R.S. §4886 (the predecessor of our current law) was enacted by Congress in the public interest. It contains no qualification or exception which limits the nature of the public use. We think that Congress intended that if an inventor does not protect his discovery by an application for a patent within the period prescribed by the Act, and an intervening public use arises from any

---

[2] In *Gearon v. United States*, 101 USPQ 460 (Ct. Claims, 1954) the court quoted with approval the *Lorenz* case in determining, analogously, that a description of the invention in a printed publication prior to the critical date without the inventor's consent renders the patent invalid. This board has previously noted, in *Ex parte Cole*, 19 USPQ2d 1211 (BPAI 1991):

> Where the court of appeals for the Federal Circuit has addressed a point of law in a published opinion, the Federal Circuit's decision is controlling. Similarly controlling are decisions considered to be binding precedent by the Federal Circuit, i.e., decisions of the former Court of Claims and the former Court of Customs and Patent Appeals as well as the former Customs Court. *See South Corporation v. United States*, 690 F.2d 1368, 215 USPQ 657 (Fed. Cir. 1982) (en banc); *Bar Zell Expediters, Inc. v. United States*, 698 F.2d 1210, 1211, n.4 (Fed. Cir. 1983).

> source whatsoever, the inventor must be barred from a patent or from the fruits of his monopoly, if a patent has issued to him. There is not a single word in the statute which would tend to put an inventor, whose disclosures have been pirated, in any different position from one who has permitted the use of his process. The Supreme Court in its opinion in Andrews v. Hovey on rehearing put the matter succinctly when, in referring to the second clause of Section 7 of the 1839 Patent Act, it said that it was the Congressional intent that the patent should be held to be invalid "without regard to the consent or allowance of the inventor," if there had been a prior public use within the terms of the statute.

167 F.2d at 429, 77 USPQ at 144.

We do not agree that the *Lorenz* court has misread *Andrews v. Hovey*. While *Andrews v. Hovey* may suggest that an exception might be created where a sale or use was fraudulent, surreptitious and piratical, there is no indication that an exception has in fact been found to exist under those circumstances. We agree that the facts in *Lorenz* are not identical to the facts here, the party to whom the inventor Lorenz disclosed his invention not being an employee of Lorenz, unlike the situation in the present case. We do not believe that this difference dictates a different outcome. As the *Lorenz* court observed, "it is apparent that if fraud or piracy be held to prevent the literal application of the prior-public-use provision a fruitful field for collusion will be opened and the public interest which R.S Section 4886 is designed to protect will suffer. While we cannot fail to view Lorenz's predicament with sympathy, we may not render our decision on such a basis." 167 F.2d at 430, 77 USPQ AT 144.

The appellant contends (brief, page 31) that it is bad law and bad policy to permit a piratical, surreptitious and fraudulent use or sale by an employee to raise a statutory bar. Whether or not this is true, the public interest to which the *Lorenz* court pointed must also be considered. The public interest in such cases is, of course, paramount. As the court observed in *J.A. LaPorte, Inc., supra*, one of the principal policies of §102(b) is to encourage early filing. It seems to us, as it did to the *Lorenz* court, that application of the sort of exception envisioned by the appellant here would undermine that policy. We are not unmindful of the appellant's arguments to the effect that a failure to recognize the exception here argued for may tend to force applicants to file prematurely (brief, page 33). Similarly, we have considered the observations in the reply brief that delay in filing, where no public use or sale occurs, is not a factor entering into a rejection under §102(b). The fact remains that to date, there has been no recognition in our law of the existence of the exception for which the appellant contends. There is no evidence of record that the absence of this exception has forced applicants into prematurely filing their applications.

In summary, the examiner's rejection of claims 1 through 6 and 16 through 33 under 35 USC 102(b) is affirmed.

No time period for taking any subsequent action in connection with this appeal may be extended under 37 CFR 1.136(a). See the final rule notice, 54 F.R. 29548 (July 13, 1989), 1105 O.G. 5 (August 1, 1989).

AFFIRMED

/s/ Harrison E. McCandlish
Harrison E. McCandlish
Examiner-in-Chief

/s/ Verlin R. Pendegrass
Verlin R. Pendegrass
Examiner-in-Chief

/s/ Bruce H. Stoner, Jr.
Bruce H. Stoner, Jr.
Examiner-in-Chief

BOARD OF PATENT
APPEALS AND
INTERFERENCES

Jon E. Hokanson
Lyon & Lyon
611 West Sixth St., 34th Floor
Los Angeles, CA 90017

APPENDIX B

SEAL **United States Department of Commerce**
Patent and Trademark Office
Address: Commissioner of Patents and Trademarks
Washington, D.C. 20231

Serial Number	07/150,058
Filing Date	01/29/88
First Named Applicant	Maglica A
Attorney Docket No.	180/242

LYON & LYON
34th Floor, 611 W. Sixth St.
Los Angeles, CA 90017

Examiner	Husar, S
Art Unit	346
Paper Number	16

Date Mailed: 12/28/89

NOTICE OF ALLOWABILITY

PART I.

1. [x] This communication is responsive to the amendment of 12/18/89.
2. [x] All the claims being allowable, PROSECUTION ON THE MERITS IS (OR REMAINS) CLOSED in this application. If not included herewith (or previously mailed), a Notice of Allowance And Issue Fee Due or other appropriate communication will be sent in due course.
3. [x] The allowed claims are 1-15 and 23-26.
4. [ ] The drawings filed on _____ are acceptable.
5. [ ] Acknowledgment is made of the claim for priority under 35 U.S.C. 119. The certified

copy has [__] been received. [__]not been received. [__] been filed in parent application Serial No. _____, filed on _____.

6. [x] Note the attached Examiner's Amendment.
7. [ ] Note the attached Examiner Interview Summary Record, PTOL-413.
8. [ ] Note the attached Examiner's Statement of Reasons for Allowance.
9. [ ] Note the attached NOTICE OF REFERENCES CITED, PTO-892.
10. [ ] Note the attached INFORMATION DISCLOSURE CITATION, PTO-1449.

PART II.

A SHORTENED STATUTORY PERIOD FOR RESPONSE to comply with the requirements noted below is set to EXPIRE THREE MONTHS FROM THE "DATE MAILED" indicated on this form. Failure to timely comply will result in the ABANDONMENT of this application. Extensions of time may be obtained under the provisions of 37 CFR 1.136(a).

1. [ ] Note the attached EXAMINER'S AMENDMENT or NOTICE OF INFORMAL APPLICATION, PTO-152, which discloses that the oath or declaration is deficient. A SUBSTITUTE OATH OR DECLARATION IS REQUIRED.
2. [x] APPLICANT MUST MAKE THE DRAWING CHANGES INDICATED BELOW IN THE MANNER SET FORTH ON THE REVERSE SIDE OF THIS PAPER.
   a. [x] Drawing informalities are indicated on the NOTICE RE PATENT DRAWINGS, PTO-948, attached hereto or to Paper No. 5 . CORRECTION IS REQUIRED.
   b. [ ] The proposed drawing correction filed on _____ has been approved by the examiner. CORRECTION IS REQUIRED.

c. [ ] Approved drawing corrections are described by the examiner in the attached EXAMINER'S AMENDMENT. CORRECTION IS REQUIRED.
d. [x] Formal drawings are now REQUIRED.

Any response to this letter should include in the upper right hand corner, the following information from the NOTICE OF ALLOWANCE AND ISSUE FEE DUE: ISSUE BATCH NUMBER, DATE OF THE NOTICE OF ALLOWANCE, AND SERIAL NUMBER.

Attachments:

√ Examiner's Amendment
__ Examiner Interview Summary Record, PTOL-413
__ Reasons for Allowance
__ Notice of References Cited, PTO-892
__ Information Disclosure Citation, PTO-1449
__ Notice of Informal Application, PTO-152
__ Notice re Patent Drawings, PTO-948
__ Listing of Bonded Draftsmen
__ Other

An Examiner's Amendment to the record appears below. Should the changes and/or additions be unacceptable to applicant, an amendment may be filed as provided by 37 C.F.R. § 1.312. To ensure consideration of such an amendment, it **MUST** be submitted no later than the payment of the Issue Fee.

This application is in condition for allowance except for the presence of claims 16-22 to an invention non-elected without traverse. Accordingly, claims 16-22 [have] been cancelled.

/s/ Stephen F. Husar
STEPHEN F. HUSAR
PRIMARY EXAMINER
ART UNIT 346

SFH
December 26, 1989

APPENDIX C

SEAL **United States Department of Commerce**
Patent and Trademark Office
Address: Commissioner of Patents and Trademarks
Washington, D.C. 20231

07/503,253	04/02/90	MAGLICA A	19056

JON E. HOKANSON
LYON & LYON
611 West Sixth St.
34th Floor
Los Angeles, CA 90017

HUSAR, S
346 #5
06/28/90

[x] This application has been examined
[ ] Responsive to communication filed on _____
[ ] This action is made final.

A shortened statutory period for response to this action is set to expire 3 month(s), --- days from the date of this letter. Failure to respond within the period for response will cause the application to become abandoned. 35 U.S.C. 133

Part I THE FOLLOWING ATTACHMENT(S) ARE PART OF THIS ACTION:

1. [x] Notice of References Cited by Examiner, PTO-892.
2. [x] Notice re Patent Drawing, PTO-948.
3. [x] Notice of Art Cited by Applicant, PTO-1449.
4. [ ] Notice of Informal Patent Application, Form PTO-152.
5. [ ] Information on How to Effect Drawing Changes, PTO-1474.
6. [ ] _____

Part II SUMMARY OF ACTION

1. [x] Claims 1-6 are pending in the application. Of the above, claims _____ are withdrawn from consideration.

2. [x] Claims 7-15 have been cancelled.

3. [ ] Claims _____ are allowed.

4. [x] Claims 1-6 are rejected.

5. [ ] Claims _____ are objected to.

6. [ ] Claims _____ are subject to restriction or election requirement.

7. [x] This application has been filed with informal drawings under 37 C.F.R. 1.85 which are acceptable for examination purposes.

8. [ ] Formal drawings are required in response to this Office action.

9. [ ] The corrected or substitute drawings have been received on _____. Under 37 C.F.R. 1.84 these drawings are [ ] acceptable. [ ] not acceptable (see explanation or Notice re Patent Drawing, PTO-948).

10. [ ] The proposed additional or substitute sheet(s) of drawings, filed on _____ has (have) been [ ] approved by the examiner. [ ] disapproved by the examiner (see explanation).

11. [ ] The proposed drawing correction, filed on _____ has been [ ] approved. [ ] disapproved (see explanation).

12. [ ] Acknowledgment is made of the claim for priority under U.S.C. 119. The certified copy has [ ] been received [ ] not been received [ ] been filed in parent application, serial no. _____; filed on _____.

13. [ ] Since this application appears to be in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under Ex parte Quayle, 1935 C.D. 11:453 O.G. 213.

14. [ ] Other

Examiner's Action

Applicant is asked to note that the British reference (533,011) cited on form PTO-1449 has not been considered as no copy of the reference was found in the file.

Claims 1-6 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention. Claim 1 is considered indefinite in that the limitation that the elongated, elastomeric tube is "adapted to fit over the recessed portion of the barrel" (claim 1, line 8) is considered to be purely functional. Also, claim 1 is considered to be vague in that there is no clear antecedent basis for the term "said tube" (claim 1, line 11). Is "said tube" the "elongated, elastomeric tube" or some other tube? Claims 2-6 depend on a rejected patent claim 1 and as such are similarly rejected.

Claims 1-6 would be allowable if rewritten or amended to overcome the rejection under 35 U.S.C. 112.

The prior art made of record and not relied upon is considered pertinent to applicant's disclosure. Turner shows a handgrip with various kinds of textured surfaces.

/s/ Stephen F. Husar
STEPHEN F. HUSAR
PRIMARY EXAMINER
ART UNIT 346

S. HUSAR: cmc
703-557-5676
6-25-90

APPENDIX D

SEAL **United States Department of Commerce**
Patent and Trademark Office
Address: Commissioner of Patents and Trademarks
Washington, D.C. 20231

Serial Number	07/503,253
Filing Date	04/02/90
First Named Applicant	Maglica A
Attorney Docket No.	19056

JON E. HOKANSON
LYON & LYON
611 West Sixth St.
34th Floor,
Los Angeles, CA 90017

Examiner	Husar, S
Art Unit	346
Paper Number	--

Date Mailed: 11/08/90

This is a communication from the examiner in charge of your application.
COMMISSIONER OF PATENTS AND TRADEMARKS

[ ] This application has been examined
[x] Responsive to communication filed on 8/13/90
[ ] This action is made final.

A shortened statutory period for response to this action is set to expire 3 month(s), --- days from the date of this letter. Failure to respond within the period for response will cause the application to become abandoned. 35 U.S.C. 133

Part I THE FOLLOWING ATTACHMENT(S) ARE PART OF THIS ACTION:

1. [x] Notice of References Cited by Examiner, PTO-892.
2. [ ] Notice re Patent Drawing, PTO-948.
3. [ ] Notice of Art Cited by Applicant, PTO-1449.
4. [ ] Notice of Informal Patent Application, Form PTO-152.
5. [ ] Information on How to Effect Drawing Changes, PTO-1474.
6. [ ] _____

Part II SUMMARY OF ACTION

1. [x] Claims 1-6 and 16-33 are pending in the application.
   Of the above, claims _____ are withdrawn from consideration.

2. [x] Claims 7-15 have been cancelled.

3. [ ] Claims _____ are allowed.

4. [x] Claims 1-6 and 16-33 are rejected.

5. [ ] Claims _____ are objected to.

6. [ ] Claims _____ are subject to restriction or election requirement.

7. [ ] This application has been filed with informal drawings which are acceptable for examination purposes until such time as allowable subject matter is indicated.

8. [ ] Allowable subject matter having been indicated, formal drawings are required in response to this Office action.

9. [ ] The corrected or substitute drawings have been received on _____. These drawings are [ ] acceptable; [ ] not acceptable (see explanation).

10. [ ] The [ ] proposed drawing correction and/or the [ ] proposed additional or substitute sheet(s) of drawings, filed on _____ has (have) been [ ] approved by the examiner. [ ] disapproved by the examiner (see explanation).

11. [ ] The proposed drawing correction, filed _____, has been [ ] approved. [ ] disapproved (see explanation). However, the Patent and Trademark Office no longer makes drawing changes. It is now applicant's responsibility to ensure that the drawings are corrected. Corrections MUST be effected in accordance with the instructions set forth on the attached letter "INFORMATION ON HOW TO EFFECT DRAWING CHANGES", PTO-1474.

12. [ ] Acknowledgment is made of the claim for priority under 35 U.S.C. 119. The certified copy has [ ] been received [ ] not been received [ ] been filed in parent application, serial no. _____; filed on _____.

13. [ ] Since this application appears to be in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under Ex parte Quayle, 1935 C.D. 11:453 O.G. 213.

14. [ ] Other

CONFIDENTIAL

Applicant's supplemental disclosure statement consisting of a copy of a petition under 37 CFR 1.313(b) as filed in parent application S.N. 150,058 has been entered as Paper #7 in the instant application and will be referred to throughout the rest of this Office action as the supplemental disclosure statement.

The indication of allowability of claims 1-6 is withdrawn in view of the facts presented in applicant's supplemental disclosure statement. Rejections based on the newly discovered prior art will follow.

The following is a quotation of the appropriate paragraphs of 35 U.S.C. § 102 that form the basis for the rejections under this section made in this Office action:

> A person shall be entitled to a patent unless —
>
> (a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for a patent.
>
> (b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of application for patent in the United States.

Claims 1-6 and 16-33 are rejected under 35 U.S.C. § 102(a) as being anticipated by applicant's supplemental disclosure statement. The facts given applicant's supplemental disclosure statement indicate that the

invention was known or used by others in this country, before the invention thereof by the applicant for a patent.

Claims 1-6 and 16-33 are rejected under 35 U.S.C. § 102(b) as being anticipated by applicant's supplemental disclosure statement. The facts given applicant's supplemental disclosure statement indicate that the invention was on sale in this country, more than one year prior to the date of application for patent in the United States.

Applicant's arguments filed August 22, 1990 have been fully considered but they are not deemed to be persuasive. There is not current case law presented by applicant that fraudulent use or sale is an exception to the bar under 35 U.S.C. 102(b). Further, there is the question of how a third party could sell, manufacture, and deliver the invention more than a year prior to applicant's filing date. Finally, the *Manual of Patent Examining Procedure* is silent on both the "Invention Piracy Doctrine" and the fraudulent use or sale exception to 35 U.S.C. 102(b) argued by applicant.

/s/ Stephen F. Husar
STEPHEN F. HUSAR
PRIMARY EXAMINER
ART UNIT 346

S. HUSAR: cmc
November 05, 1990
(703) 308-1932

APPENDIX E

SEAL **United States Department of Commerce**
Patent and Trademark Office
Address: Commissioner of Patents and Trademarks
Washington, D.C. 20231

Serial Number	07/503,253
Filing Date	04/02/90
First Named Applicant	Maglica A
Attorney Docket No.	190056

JON E. HOKANSON
LYON & LYON
611 West Sixth St.
34th Floor,
Los Angeles, CA 90017

Examiner	Husar, S
Art Unit	346
Paper Number	#7
Date Mailed:	08/22/90

EXAMINER INTERVIEW SUMMARY RECORD

All participants (applicant, applicant's representative, PTO personnel):

(1) Stephen Husar (3) _____
(2) Robert Weiss (4) _____

Date of interview 7/31/90

Type: [ ] Telephonic

[x] Personal (copy ~~is given~~ mailed to
[ ] applicant
[x] applicant's representative).

Exhibit shown or demonstration conducted:
[ ] Yes [x] No. If yes, brief description:

Agreement [ ] was reached with respect to some or all of the claims in question. [x] was not reached.

Claims discussed: None

Identification of prior art discussed: None

Description of the general nature of what was agreed to if an agreement was reached, or any other comments: Applicant's representative presented a copy of a petition filed in a related case for the examiner's consideration.

(A fuller description, if necessary, and a copy of the amendments, if available, which the examiner agreed would render the claims allowable must be attached. Also, where no copy of the amendments which would render the claims allowable is available, a summary thereof must be attached.)

Unless the paragraphs below have been checked to indicate to the contrary, A FORMAL WRITTEN RESPONSE TO THE LAST OFFICE ACTION IS NOT WAIVED AND MUST INCLUDE THE SUBSTANCE OF THE INTERVIEW (e.g., items 1-7 on the reverse side of this form). If a response to the last Office action has already been filed, then applicant is given one month from this interview date to provide a statement of the substance of the interview.

[x] It is not necessary for applicant to provide a separate record of the substance of the interview.

[ ] Since the examiner's interview summary above (including any attachments) reflects a complete response to each of the objections, rejections and requirements that may be present in the last Office action, and since the claims are now allowable, this completed form is considered to fulfill the response requirements of the last Office action.

/s/ Stephen F. Husar
Examiner's Signature

APPENDIX F

NOTE: Pursuant to Fed. Cir. R. 47.6, this disposition is not citable as precedent. It is a public record. The disposition will appear in tables published periodically.

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT
93-1317

IN RE ANTHONY MAGLICA

JUDGMENT

ON APPEAL from the
United States Patent and Trademark Office
in CASE NO(S)
07/503,253

This CAUSE having been heard and considered, it is ORDERED and AJUDGED:

Per Curiam: (MAYER, PLAGER, and RADER, Circuit Judges):

AFFIRMED. See Fed. Cir. R. 36.

ENTERED BY ORDER OF THE COURT

DATED DEC. 13 1993

/s/ Francis X. Gindhart
Francis X. Gindhart, Clerk

FILED
U.S. COURT OF APPEALS
FOR THE FEDERAL CIRCUIT
DEC 13 1993
Francis X. Gindhart
Clerk

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

NOTICE OF ENTRY OF JUDGMENT WITHOUT OPINION

JUDGMENT ENTERED: December 13, 1993

The judgment of the court in your case was entered today pursuant to Rule 36. This Court affirmed the judgment or decision that was appealed. None of the relief sought in the appeal was granted. No opinion accompanied the judgment. The mandate will be issued in due course.

Exhibits and visual aids shall be promptly retrieved by the party that lodged them with this court.

FRANCIS X. GINDHART
Clerk

cc. ROBERT C. WEISS
FRED E. MCKELVEY

IN RE MAGLICA, 93-1317
(PTO BPAI-EP - 07/503,253)

APPENDIX G

DECLARATION OF ROBERT C. WEISS

I, Robert C. Weiss, do hereby state as follows:

1. I am an attorney and a member of the firm of Lyon & Lyon. I am a member of the bar of the State of California and I am also registered to practice before the United States Patent and Trademark Office ("PTO"). All statements made herein upon my personal knowledge are true; and all statements made herein upon information and belief are believed by me to be true.

2. Since 1985 Lyon & Lyon has represented Mag Instrument, Inc. ("Mag Instrument") in numerous patent, trademark and other intellectual property litigation matters and I am the attorney at Lyon & Lyon who is and has been principally responsible for such litigation matters. Since 1985 I have been involved in and principally responsible for over twenty-five lawsuits involving Mag Instrument. I have also been involved in and principally responsible for various trademark opposition and cancellation proceedings on behalf of Mag Instrument. Lyon & Lyon since 1985 has also been responsible for numerous United States and foreign patent and trademark applications filed on behalf of Mag Instrument. Since 1985 at least twenty-five different attorneys from Lyon & Lyon have been involved in work for Mag Instrument. It is not possible for any one attorney at Lyon & Lyon to perform all of the work being done by Lyon & Lyon for Mag Instrument. Furthermore, even though I am generally familiar with the work which is being done by Lyon & Lyon for Mag Instrument I do not know all of the information relating to that work nor do I believe it would be possible for any one attorney to know all of that information.

3. Initially when I first began work for Mag Instrument and until about the early part of 1987 I had direct responsibility for the prosecution of certain United States patent applications for Mag Instrument. However, as the work on the Mag Instrument lawsuits began to increase, my work on the Mag Instrument patent applications diminished significantly. Sometime prior to the filing of United States Patent Application for FLASHLIGHT GRIPPER, Serial No. 150,058 ("the 058 patent application"), direct responsibility for Mag Instrument's patent application work was assigned by me to other attorneys within Lyon & Lyon. Although I am occasionally consulted by other attorneys at Lyon & Lyon on the patent application work for Mag Instrument, I do not regularly review this work.

4. I did not participate in the preparation or filing of the '058 patent application nor was I directly involved in the prosecution of the '058 patent application except in about November, 1989 I reviewed with Jon E. Hokanson a draft response to an office action. Mr. Hokanson is an associate at Lyon & Lyon who I am informed and believe prepared and filed the '058 patent application and who I am informed and believe had direct responsibility for the prosecution of the '058 patent application.

5. On or about February 27, 1990 or shortly thereafter, I was advised that on April 17, 1990 a United States patent would issue with respect to the '058 application. This information caused me to wonder why the '058 application had been pending in the PTO for what I thought was a long time period. As a result, I located the file on February 28, 1990 in Mr. Hokanson's office and I believe noted for the first time that the '058 application was filed on January 29, 1988.

6. Because of my participation in certain litigation on behalf of Mag Instrument including the case of *Mag Instrument, Inc. v. Donald A. Keller*, Case No. 530140, in the Superior Court of the State of California for the County of Orange, I was aware of information indicating that the invention which is the subject of the '058 application had been misappropriated by a former employee of Mag Instrument, Donald A. Keller. I am informed and believe that Mr. Keller organized a competing flashlight company, Lite Tek International Corporation ("Lite Tek") while still employed by Mag Instrument, that Mr. Keller left Mag Instrument on or about April 1, 1986 and was President of Lite Tek until January, 1987 when Mr. Keller's employment with Lite Tek terminated, and that Lite Tek made flashlights embodying the invention of the '058 application which were sold on an exclusive OEM basis to a company called Kershaw Knives which in turn sold them on an exclusive basis to a company called Snap-On Tools who then marketed them to the public.

7. Because of my involvement in the *Mag Instrument, Inc. v. Donald A. Keller* case, I believed that some commercial exploitation of the invention of the '058 application by Mr. Keller and/or Lite Tek occurred more than one year before January 29, 1988 when the '058 application was filed. As a result, I requested Allan W. Jansen and Jeffrey M. Olson who are Lyon & Lyon attorneys who had worked extensively on the *Mag Instrument, Inc. v. Donald A. Keller* case, to investigate this matter as soon as possible in order to provide the PTO with as much information as possible on this subject.

8. I declare under penalty of perjury that the foregoing is true and correct. I am aware that willful false statements and the like are punishable by fine or imprisonment, or both, under Section 1001 of Title 18 of

the United States Code and that such willful false statements may jeopardize the validity of the application or any patent issuing thereon.

Date: March 29, 1990

By: /s/ Robert C. Weiss
ROBERT C. WEISS

DECLARATION OF ALLAN W. JANSEN

I, ALLAN W. JANSEN, do declare and state as follows:

1. I am an attorney and a member of Lyon & Lyon.

2. All statements made herein upon my own knowledge are true; and all statement made herein upon information and belief are believed by me to be true.

3. Because of information I have learned concerning the identity of various individuals who were involved in aspects of the flashlight industry in 1986 and 1987, and my assistance in the representation of Mag Instrument in certain litigation related to its business, I was asked in early March 1990 to assist in conducting an investigation concerning possible commercial activities relating to a flashlight having a recessed rubber "gripper", which would fall within the claims of U.S. Patent application, S.N. 150,058 (hereinafter "the gripper invention"), prior to one year before the filing date of that application. The flashlight I was asked to investigate was made by a company called Lite-Tek International ("Lite-Tek"). I was aware that the gripper invention had been misappropriated by a former employee of Mag Instrument, Donald A. Keller, who left Mag Instrument in or about April 1, 1986 and worked for Lite-Tek in 1986 and until early January, 1987. Thus, as a part of my investigation, I contacted various individuals who I understood had involvement with Lite-Tek in 1986 and 1987.

4. I was advised that during the summer of 1986 Lite-Tek was in the process of completing the development of a machined-aluminum flashlight which was to embody the gripper invention and a prototype of that flashlight was in existence. I was also advised that a company by the name of Kershaw Knives ("Kershaw") had entered into an arrangement with Lite-Tek whereby

Lite-Tek would supply to Kershaw, on an exclusive basis, flashlights manufactured by Lite-Tek which were to embody the gripper invention. I was also advised that a company called Snap-On Tools has arranged an exclusive with Kershaw for the Lite-Tek flashlight which was to embody the gripper invention.

5. I was also advised that Lite-Tek attended at least three trade shows in the fall of 1986 and early 1987. The three trade shows I learned of were the IACP Show in Nashville, Tennessee in or about October, 1986, the NASGW Show in Denver, Colorado, in or about December, 1986, and the SHOT Show in New Orleans, Louisiana, in or about early January, 1987.

6. The individuals I contacted did not recall that a Lite-Tek flashlight embodying the gripper invention was at the IACP Show.

7. I was told that a Lite-Tek flashlight embodying the gripper invention was at the NASGW Show in December, 1986. However, the individuals I talked to were unable to recall whether that flashlight was shown to anyone not employed by Lite-Tek or Kershaw or a representative of Lite-Tek or Kershaw, or offered for sale or sold at the NASGW Show in December, 1986.

8. I was also advised that a Lite-Tek flashlight which embodied the gripper invention was in the possession of an individual, associated with either Lite-Tek or Kershaw, during the 1987 SHOT Show in New Orleans, Louisiana. However, the individuals I spoke to did not know or recall whether that flashlight was shown to any individual not associated with Lite-Tek or Kershaw at the 1987 SHOT Show or whether any Lite-Tek flashlight embodying the gripper invention was offered for sale or sold during the 1987 SHOT Show.

I declare under the penalty of perjury that the foregoing is true and correct. I am aware that willful false statements and the like are punishable by fine or imprisonment, or both (18 U.S.C. § 1001) and may jeopardize the validity of U.S. Patent application S.N. 150,058 or any patent issuing thereon.

Executed this 29 day of March, 1990 at Los Angeles, California.

/s/ Allan W. Jansen
ALLAN W. JANSEN

DECLARATION OF JEFFREY M. OLSON

I, JEFFREY M. OLSON, hereby declare as follows:

1. I am an attorney with the law firm of Lyon & Lyon, counsel for Mag Instrument in this matter. All statements made here in upon my personal knowledge are true; and all statements made herein upon information and belief are believed by me to be true.

2. I have not had any previous involvement in the prosecution of the United States Patent Application for a FLASHLIGHT GRIPPER, Serial No. 150,058 ("the '058 application"). My only work for the applicant, Mag Instrument, Inc., ("Mag Instrument") has related to litigation, including extensive work on the case of *Mag Instrument, Inc. v. Donald A. Keller* in the Superior Court of the State of California for the County of Orange, Case No. 530140 ("the trade secret litigation"). This case involves the misappropriation of certain Mag Instrument proprietary information by Mag Instrument's former Director of Marketing, Donald A. Keller, who was a founder and President of a competing flashlight company, Lite-Tek International, Inc. ("Lite-Tek"), until early January, 1987. As a result of the trade secret litigation, it was determined that certain of the proprietary information of Mag Instrument misappropriated by Mr. Keller included the invention which is the subject of the '058 application. In early March, 1990, I was requested by Robert C. Weiss of Lyon & Lyon to conduct an investigation into the commercial activities of Mr. Keller and/or Lite-Tek prior to the January 29, 1987 bar date of the '058 application with respect to flashlights which included a recessed rubber sleeve. I believe I was requested to conduct this investigation because of my involvement with the trade secret litigation. As a result of my investigation, I am not aware of any

significant events with respect to this matter which occurred prior to January 1986.

3. I have been informed by a representative of Kershaw Knives ("Kershaw") that during January 1986, Mr. Keller while still employed by Mag Instrument, approached representatives of Kershaw at a trade show, said certain derogatory things about Mag Instrument, and advised that he was leaving Mag Instrument and setting up his own company to manufacture AA and AAA machined aluminum flashlights. Mr. Keller invited Kershaw to help fund the new venture. Mr. Keller was told that Kershaw was potentially interested in being his customer but not his business partner.

4. I am informed by a Kershaw representative that Mr. Keller, in February 1986, while still employed by Mag Instrument was approached by Kershaw to find out if he was serious about starting a new flashlight company.

5. Based on information known to me and discussions I had with representatives of Mag Instrument and Kershaw, I believe the following to be correct. On or about March 5, 1986, Mr. Keller, who was then still in the full-time employ of Mag Instrument, clandestinely travel led to Wilsonville, Oregon and met with Kershaw representatives. Unbeknownst to Mag Instrument, Mr. Keller had, prior to the time of the meeting, secretly formed Lite-Tek and was acting as its president. At this meeting, Mr. Keller again advised the Kershaw representatives of his intention to leave Mag Instrument's employ, explained his involvement in the formation of Lite-Tek, and announced to them that Lite-Tek was in business. Mr. Keller offered, on behalf of Lite-Tek, to manufacture and supply Kershaw with a two-cell AA flashlight which would be privately labelled with the Kershaw name and would incorporate a recessed rubber sleeve. This flashlight with the recessed rubber sleeve

would be provided to Kershaw on an exclusive basis. Mr. Keller had some sample two-cell AA flashlights with him at this meeting but they did not incorporate a recessed rubber sleeve. At this March 5, 1986 meeting Kershaw placed an order for samples and an initial volume of 1,000 units per week was discussed. Mr. Keller represented that he could supply this volume of flashlights by the summer of 1986.

6. I am informed by a Kershaw representative that Mr. Keller was asked, during the March 5, 1986 meeting, about his employment situation with Mag Instrument, and that Mr. Keller, in reply, represented that no problem existed and that he and Mag Instrument had negotiated an amicable settlement of his employment contract that would permit him to leave Mag Instrument shortly. I am informed by Mag Instrument that those representations, if Mr. Keller made them, were false.

7. I am informed by a Kershaw representative that at the March 5, 1986 meeting, Kershaw raised a question about whether Mr. Keller's new flashlight might infringe some of Mag Instrument's proprietary rights and requested all appropriate opinion letters from counsel. I am informed that two opinion letters of Mr. Keller's patent counsel, dated May 27, 1986, were prepared for Mr. Keller and supplied by him to Kershaw. I have seen and reviewed these opinion letters. Neither letter mentions a recessed rubber sleeve nor comments upon what rights Mag Instrument may have in a recessed rubber sleeve. The only statement in these opinion letters relating to the barrel of the flashlight is a reference to "knurling." This leads me to believe that the flashlight under discussion in the letters was the standard Lite-Tek flashlight, the appearance of which is familiar to me and which has knurling on the barrel and does not use the invention of a recessed rubber sleeve about the barrel.

8. I am informed by a Kershaw representative that by May 8, 1986, Kershaw received definitive pricing from Mr. Keller. Prices were quoted for AA, AAA and "Flex-Lite" flashlights. A separate per-unit price was quoted for the rubber sleeve that Kershaw planned to have on the flashlights. A tooling charge was also separately quoted. At approximately that time, Kershaw placed an order for 50,000 flashlights.

9. I am informed by a Kershaw representative that by the summer of 1986, Kershaw reached an agreement with Snap-On Corporation ("Snap-On") to exclusively sell the flashlight purchased from Lite-Tek to Snap-On. Toward the end of October, 1986, Kershaw received its initial shipment, consisting of an estimated 10,000 flashlights, from Lite-Tek. According to the Kershaw representative, some of these flashlights were first shipped by Kershaw to Snap-On either in late October or early November 1986.

10. The complaint in the trade secret litigation was filed by Mag Instrument on or about July 23, 1987. The. complaint alleges, *inter alia*, that Mr. Keller violated his contractual and fiduciary obligations to Mag Instrument, by disclosing the valuable trade secrets and confidential and proprietary information of Mag Instrument, which he learned as an employee of Mag Instrument, to competitors of flag Instrument and to others who could benefit from knowing and using those secrets and that information. Attached hereto as Exhibit A is a copy of a document which Mag Instrument Contends to be a written agreement signed by Mr. Keller which pertains to the terms of his employment with Mag Instrument.

11. Discovery from Mr. Keller in the trade secret litigation was substantially forestalled by Mr. Keller. It was not until May of 1989 that the deposition of Mr. Keller proceeded. No documents were produced by Mr. Keller until the summer of 1989. However, I

commenced an informal investigation regarding the trade secret litigation in December of 1987. During January 1988, I obtained the attached declaration from Lee Bieberstein, dated January 14, 1988. A copy is attached hereto as Exhibit B. At paragraph 29, he declares that: "The rubber sleeve was an exclusive to Kershaw until August or September (of 1987) . . ." Thus, Lite-Tek appears to have had no reason to promote the sale of the flashlight with a recessed rubber sleeve to others. Furthermore, based on my discussions with a representative of Kershaw, because the flashlight with the recessed rubber sleeve was exclusive to Snap-On, my understanding is that Kershaw did not promote the flashlight for sale to others.

12. In the course of discovery in the Mr. Keller trade secret lawsuit, I reviewed a document styled "Accounts Receivable Customer Master List For Lite Tek International Corp." bearing the date "12/18786." That list contains an entry for Kershaw Knives and indicates "YTD sales" (which I understand to mean "year-to-date" sales) by Lite-Tek to Kershaw of $145,466.09. I also reviewed a document styled "Accounts Receivable Aged Trial Balance for Lite Tek International Corp. Aged On 11/30/86," which shows a balance of $53,496.31 owing from Kershaw Knives under the "Current Due" column and a balance of $2,867.30 owing from Kershaw Knives under the 1-30 days past due column.

I declare under penalty of perjury that the foregoing is true and correct. I am aware that willful false statements and the like are punishable by fine or imprisonment, or both (18 U.S.C. § 1001) and may jeopardize the validity of Application S.N. 150,058 and any patent issuing the

Executed this 29th day of March 1900, at Los Angeles, California.

/s/ Jeffery M. Olson
JEFFREY M. OLSON

EMPLOYMENT CONFIDENTIALITY AGREEMENT

1. The Employee acknowledges that during his employment by Mag Instrument, inc., he has and will have access to and gain knowledge of various trade secrets and confidential information relating to Mag Instrument, Inc., and its products, business operations and techniques, and its supplier and customer relations, including without limitations, technical data, specifications, formulas, experiments, inventions, processes, sales methods, and books and records, which are owned exclusively by Mag Instrument, Inc., and used in its business, and are of a valuable, special and unique nature, which would be destroyed by disclosure to anyone outside of Mag Instrument, Inc.'s employ (hereinafter referred to as "confidential information"). Consequently, the Employee agrees that he shall not, without the prior express written and duly authorized consent of Mag Instrument, Inc., either during the term of his employment or at any time thereafter, disclose any of such confidential information, directly or indirectly, to anyone outside Mag Instrument, Inc.'s employ or use any of such confidential information, directly or indirectly for the benefit of anyone other than Mag Instrument, Inc., except as required in the course of his employment by Mag Instrument, Inc. The Employee agrees that all books, files, records, documents and similar items relating to Mag Instrument, Inc.'s business prepared, possessed, or controlled by the Employee are and will remain the exclusive property of Mag Instrument, Inc., and shall be surrendered to Mag Instrument, Inc. upon termination of his employment or whenever requested by Mag Instrument, Inc.

2. The term "confidential information" as used herein shall include, in addition to the matters referred to herein

above, all information of a business or technical nature disclosed to, learned or developed by the Employee in the course of or incident to his employment by Mag Instrument, Inc. relating to the business of Mag Instrument, Inc. or any customer of Mag Instrument, Inc. or any other person, firm, or corporation which consults with or is in any way affiliated with Mag Instrument, Inc. in its business. The Employee's obligations hereunder shall survive termination of his employment with Mag Instrument, Inc. and shall terminate with regard to any confidential information only when it ceases to be confidential information.

3. The Employee, on behalf of himself, his heirs and representatives, shall promptly inform, disclose and transfer to Mag Instrument, Inc., free of any encumbrances or restrictions, and shall execute any documents necessary or convenient to effectuate such transfers: (a) all inventions, designs, improvements and discoveries which he now has or may hereafter have relating to Mag Instrument, Inc.'s business or to any experimental work or research carried on by Mag Instrument, Inc. originated or developed by Employee or jointly with others during his employment by Mag Instrument, Inc., and (b) all other inventions, designs, improvements, and discoveries originated or developed by the Employee alone or jointly with others during the Employee's working hours or at Mag Instrument, Inc.'s expense or on Mag Instrument, Inc.'s premises. All such inventions, designs, improvements and discoveries shall be and remain the exclusive property of Mag Instrument, Inc., whether or not patentable and whether or not patent applications are filed thereon; and all such transfers to Mag Instrument, Inc. shall include patent rights in the Untied States and all foreign countries. Th Employee shall, without further compensation, execute at any time regardless of whether the Employee is still in Mag

Instrument, Inc.'s employ, all assignments and other papers requested by Mag Instrument, Inc. and otherwise assist Mag Instrument, Inc. to obtain patents and prosecute patent applications and any divisions, reissues, continuations, and extensions thereof on all such inventions, designs, improvements and discoveries in the United States, and all foreign countries, and vest Mag Instrument, Inc. with full and exclusive title thereto.

4. The Employee shall not for a period of two years following termination of his employment with Mag Instrument, Inc., either directly or indirectly:

(a) make known to any person, firm or corporation names or addresses of any of the customers of Mag Instrument, Inc. or any of their business needs, desires or methods of working or any other information pertaining to them; or

(b) call on, solicit, or take away, or attempt to call on, solicit, or take away any of the customers of Mag Instrument, Inc. on whom the Employee called or with whom the Employee became acquainted or did business during his employment by Mag Instrument, Inc. either for himself or for any other person, firm or corporation.

5. The Employee acknowledges that in the event of a breach or threatened breach by the Employee of the terms of this agreement, the harm suffered by Mag Instrument, Inc. will be irreparable, that its remedy at law will be inadequate, and that Mag Instrument, Inc. will be entitled to an injunction restraining the Employee from disclosing, in whole or in part, any confidential information referred to herein or from rendering any services to any person, firm, corporation, association, or any other entity to whom such confidential information, in whole or in part, has been disclosed or is threatened to

be disclosed, and restraining the agent from any violation or threatened violation of the provisions of Paragraph 4 hereto. Nothing herein shall be construed as prohibiting Mag Instrument Inc. from pursuing any other remedy available to it for such breach or violation, or threatened breach or violation, including the recovery of damages from the Employee. In any suit or proceeding arising out of or in connection with this agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees and expenses. The provisions of this Paragraph 5 shall survive the termination of Employee's employment with Mag Instrument, Inc.

Signature /s/ Donald A. Keller
Date 7-16-82

STATEMENTS OF LEE BIEBERSTEIN TO GARY ANDERSON AND JEFF OLSON ON DECEMBER 30, 1987 AND JANUARY 6, 1988 AT THE OFFICES OF LYON & LYON IN COSTA MESA, CALIFORNIA

PRIOR TO 1955

1. I have known Don Keller for several years. Mr. Keller and I became acquainted while he was employed by ITT/Cannon Industries. Mr. Keller was involved with the Pro-Brite line of flashlights manufactured and sold by ITT/Cannon. I did some engineering work for Mr. Keller prior to his involvement with Mag Instrument.

1985

2. In February or March, Mr. Keller contacted me. Mr. Keller told me that he was planning on starting a flashlight company with Stan Kirschoff. I am not sure of the spelling of Mr. Kirschoff's name. At that time, I received approximately four design sketches of flashlights from Mr. Keller signed by him and dated 2/1/85. Also at that time, Mr. Keller asked me to manufacture prototypes for an AA and an AAA flashlight. I provided the sketches to Mr. Reilly of Lyon & Lyon.

3. In the spring, under my direction and using drawings I prepared, Ideal Engineering Co., of Santa Ana, made prototypes for an AA and on AAA flashlight and some miscellaneous flashlights parts, including switches. To minimize cost, the prototype flashlights had various switch designs, of switches in the back. The switch designs were different than the switch used by Lite-Tex International in its production flashlights. My understanding is that Mr. Keller has the prototypes. I kept

some of the flashlight parts, including some of the switches. I provided one of these switches to Mr. Reilly.

4. During the spring, we used the name Sigma-Lite Corporation to describe our flashlight venture. At that time, I was paid by Mr. Kirschoff.

5. In June or July, Mr. Kirschoff terminated his involvement with Sigma-Lite. When that occurred, I also ceased my efforts.

6. In September or October, Mr. Keller asked me to prepare some sketches of a light dispenser. Mr. Keller also told me that he was negotiating a new deal with someone in New Mexico. While I am not positive, I believe the person Mr. Keller was negotiating with is John Peters. No deal was made.

1986

7. In January, or possibly in December, 1985, I was again contacted by Mr. Keller. Mr. Keller told me that he was negotiating another deal. I later learned that this deal involved the financial backing of John Parlante. Mr. Keller asked me if I was interested in joining a start-up company. I replied that I was.

8. In February, I had dinner with Mr. Keller, Mr. Keller's wife, Mr. Parlante and my girlfriend Either at that dinner or within a couple of days, Mr. Keller, Mr. Parlante and I decided to form a company to make flashlights. The company, which came to be known as Lite-Tek International Corp., would manufacture the flashlight I had prototyped in 1985. We planned to go into production by August, selling 800,000 flashlights/ year once Lite-Tek was established. In May, the flashlight was named Sigma-Lite.

9. At the time of the dinner meeting, I was working for Canon Business Machines in an engineering/

management capacity. After the decision to form Lite-Tek was made, I gave Canon notice of one week that I was resigning. The last day I worked for Canon was February 28.

10. In March, while he was employed by Mag Instrument, Mr. Keller undertook the responsibility for forming Lite-Tek. Mr. Keller also initiated the process of leasing space.

11. In March, I worked full time engineering flashlights and ordering tooling. At that time, I understood that I would not have an equity interest in Lite-Tek, but I would be the Secretary of the company. At that time, Z installed a new telephone line in my home, at the direction of Mr. Keller, to transact business on behalf of the company that was about to incorporate. During March, my wages were paid by Mr. Keller. I assume Mr. Keller was reimbursed by Mr. Parlante.

12. In April, Lite-Tek was incorporated in California. At that time, Mr. Keller commenced working full-time for Lite-Tek as its President. Part of Mr. Keller's job involved designing the flashlights. Mr. Parlante was the Vice-President. At that time, Lite-Tek moved into facilities at 1471 Hundley, Anaheim, California.

13. In April or May, Mr. Keller provided me with some documents of Mag Instrument. One of these documents was a computerized listing used by Mag Instrument and entitled Inventory Stock Status Review that included information describing the components used in Mag Instrument's flashlights, the component purchase price and the component selling price. Other documents included various pages from Mag Instrument's Manual of Operations.

14. Between April and August, Lite-Tek hired several people who had some management responsibilities. Roy Shimaji, a friend of mine, and Wayne Miramoto

were hired to prepare the facilities and later became Production Foremen on the assembly line. Mr. Shimaji was hired part-time in June and full time in August. Mr. Miramoto was hired in June. Tony Davis, another friend of Mr. Keller, was hired to oversee accounting and finance. Mr. Davis was hired part-time in April and full time in August. Scott Keller, Don Keller's son, was hired in June as a sales trainee. Scott also assisted in manufacturing. Todd Keller, Don Keller's son, was hired in June to assist in shipping and quality Control.

15. On July 1, Don Keller, Scott Keller, Todd Keller, Mr. Davis and I met with some of the individuals with whom Don Keller had made arrangements to sell Lite-Tek flashlights. These individuals included Denny Madigan, Dick Wagner, Don Hecht and Mike Tobin.

16. My understanding is that Don Keller and Mr. Madigan, on behalf of D.J. Madigan Associates of Oswego, Illinois, signed a sales representative contract on or about July 1, 1986. While Mr Madigan was in California, I believe that he and Don Keller Net with a female attorney from Anaheim to discuss any claims Mr. Madigan might have against Mag Instrument.

17. During the summer, Don Keller hired additional sales representatives, including Bob Nantz & Associates of Towson, Maryland for the Mid-Atlantic region, Mr. Hatfield for Canada, Milton Nalsh & Associates of Scituate, Massachusetts for the Northeast region, Mike Holmes & Associates of Campobello, South Carolina for the Southeast region, Max Morton & Associates of Tacoma, Washington for the Northwest region, and Geoff Barclay & Associates of Yorba Linda, California for the Southwest region.

18. During the summer and fall, I spoke several times with each of the sales representatives to assist them in selling the products of Lite-Tek. During the fall, I frequently spoke with the Madigan organization.

19. On August 15, I met with Don Martens, of Knobbe, Martens, Olson & Bear of Newport Beach, California, to discuss filing a patent application on the Sigma-Lite. The inventive feature in the application related to the switch. Mr. Martens conducted a patent search and filed the application At Don Keller's request, I assigned the application to Don Keller because I understood he held a significant equity interest in Lite-Tek.

20. On August 29, a patent application was filed by Stetina & Brunda of Laguna Hills, California, regarding a light dispenser. The named inventor was Mr. Peters, however I developed the concept.

21. In August, Lite-Tek made its first pilot production run of approximately 1000 Sigma-Lites. During August, the majority of these units were distributed to all of the sales representatives as samples.

22. In September, Lite-Tek made a few thousand Sigma-Lites.

23. In October or November, Lite-Tek submitted its business plan to several financial institutions, including First Interstate and The Bank of Orange, in an effort to secure a loan.

24. In December, Mr. Miramoto and Mr. Shimaji were laid off.

25. By December, Lite-Tek was manufacturing approximately 30,000 Sigma-Lites/month. By that time, additional sales representatives were hired including the Newman Agency, Inc. of Troy, Alabama for the Southern region, Herzog & Associates of Garland, Texas for the South-Central region and Tom Gratny & Associates of Sacramento, California for the Southwest region.

1987

26. In January, Frank Parlante, John Parlante's brother, and Bill Wolfe arrived at Lite-Tek. Immediately thereafter Scott and Todd Keller were fired and Don Keller and Mr. Davis elected to leave Lite-Tek voluntarily. I have not spoken with Don Keller since then. Except for my responsibilities, all management responsibilities were taken over by John and Frank Parlante.

27. In January, Mr. Peters began working for Lite-Tek International Corp. Mr. Peters, who was hired by Don Keller in October, 1986 or earlier to start in January, lasted only a few days and was fired during the Shot Show by John Parlante.

28. In April, all of Lite-Tek's operations were moved to New York, New York.

29. During the spring, several of the sales representatives were either fired or dropped the Lite-Tek line. The sale representatives were not being paid all of the commissions they were due. At this time, The Walsh organization was selling a large percentage of Lite-Tek's flashlights as Sigma-Lites. Another large percentage of Lite-Tek's flashlights were privately labeled and sold to Kershaw knives in Oregon. The Kershaw flashlight incorporated a rubber sleeve. The rubber sleeve was an exclusive to Kershaw until August or September when it was made available generally.

30. In October, I left Lite-Tek. I understand that Lite-Tek owes several of its former vendors a considerable amount of money.

I declare under penalty of perjury that the foregoing pages 1 through 9 are true and correct to the best of my knowledge.

Executed this 14 day of January, 1988 at Newport Beach, California.

/s/ Lee Bieberstein
LEE BIEBERSTEIN

DECLARATION OF JON E. HOKANSON

I, Jon E. Hokanson, do hereby state as follows:

1. I am an attorney at Lyon & Lyon, 611 West Sixth Street, Suite 3400, Los Angeles, California 90017. I am a member of the bars of the District of Columbia, the State of Texas and the State of California. I am also registered to practice before the United States Patent and Trademark Office, Registration Number 30,069.

2. I am one of the attorneys who represents Mag Instrument, Inc., (hereinafter "Mag Instrument") assignee of patent application Serial No. 150,058, filed January 29, 1988, (hereinafter the "captioned application"), in its patent and related matters and am the attorney directly responsible in regard to the captioned application.

3. In September 1987, Mag Instrument disclosed to me a number of projects and inventions, including the invention which is the subject of this application, as to which Mag Instrument indicated interest in obtaining patent protection.

4. During a meeting I had with various Mag Instrument personnel in October, 1987, at the Mag Instrument facilities in Ontario, California, one of the participants in the meeting made a comment concerning a new flashlight which was believed to be on the market and which incorporated an invention believed to have previously been invented by Anthony Maglica, the president and founder of Mag Instrument.

5. After conclusion of that meeting, I began an investigation concerning the comment made at that meeting.

6. During the investigation I confirmed that the flashlight gripper invention of the captioned application had been invented by Anthony Maglica and that certain

drawings concerning the invention had been made and shown to a Mr. Don Keller, a former employee of Mag Instrument prior to his leaving Mag Instrument on or about April 1, 1986.

7. I completed obtaining a description of the invention, had patent drawings prepared regarding the invention and drafted utility and design patent applications directed to the invention disclosed to me. Those applications were assigned docket numbers 180/242 and 180/241, respectively.

8. I also attempted to determine whether the flashlight which was the subject matter of the comment made at the October meeting was on sale in the United States, and if it was on sale, when it first went on sale or was offered for sale.

9. I learned that the flashlight which was commented upon in the October meeting did exist, and that a single flashlight had been obtained by a Mag sales representative and had been sent to the Mag Instrument, facilities in Ontario, California.

10. The flashlight was found by Mag Instrument employees and was presented to me for inspection and for further investigation. The name of the Mag Instrument, sales representative who forwarded the flashlight to Mag Instrument was also provided to me. His name is John Carroll.

11. During a telephone conference with John Carroll soon after I began the investigation, I learned, upon information provided by Mr. Carroll, that he had received the sample from one of his associates and that his associate had received it as a sample from a customer. I requested that Mr. Carroll investigate the matter and call me if he found any information concerning when the flashlight was first placed on sale.

12. As part of the investigation I then also contacted Dr. Jerry Ford of the firm of Ford, Bubala & Associates and assigned him to conduct an investigation concerning whether the flashlight was on sale, had ever been placed on sale, and if so, when it was first placed on sale in the United States.

13. Although I do not recall the exact date when I spoke with Dr. Ford concerning this assignment, I believe it was sometime in November of 1987.

14. I specifically recall providing Dr. Ford with the information that I had at that time been able to obtain concerning the likelihood of Lite-Tek International Corporation (hereinafter "Lite-Tek") being the manufacturer and Kershaw Light Gear being identified on the package insert as the possible supplier of the flashlight.

15. I also specifically recall discussing with Dr. Ford the likelihood that if the flashlight was made and sold through Lite-Tek it covered a design which was believed to have been stolen from Mag Instrument by .Don Keller. I recall providing this information to Dr. Ford to indicate to him the sensitivity and importance of the assignment.

16. On or about December 4, 1957, Dr. Ford telephoned me and reported the results of his investigation. He informed me that he was unable to obtain any information from Lite-Tek and that he had a discussion with an employee of the "Kershaw Knives Company." At the time I understood this person to be the assistant product manager of "Kershaw Knives", but have subsequently been informed that this person was the product manager.

17. Dr. Ford also informed me that the product manager told him that the flashlights were made for Kershaw Knives and that the flashlights had been on sale for approximately five months, that is, since approximately July of 1987.

18. Dr. Ford also then informed me that the product manager told him that the Kershaw flashlights were being marketed at a suggested retail of about $20.

19. Dr. Ford also informed me that he believed the Kershaw flashlights were sold exclusively to Snap-On Tools as a kit and that Snap-On Tools sold the kit for approximately $24.59.

20. I also recall another, subsequent telephone conference 1 had with John Carroll, during which he informed me that the flashlight he was given by his associate was believed to have been made exclusively for Snap-On Tools, and that he believed, through information provided to him by the associate who had actually received the sample flashlight from a Snap-On Tools employee, that such flashlights had been on sale since February of 1957.

21. Based on the above information provided to me, I believed that the flashlights may have been on sale as early as February of 1987.

22. I am not one of the attorneys assigned to handle *Mag Instrument, Inc. v. Donald A. Keller* (Case No. 530140, Cal. superior Ct., Orange County) (hereinafter "the *Keller* trade secret lawsuit"), nor have I ever participated in the taking of any discovery by Mag Instrument in that lawsuit. Nor have I regularly reviewed the papers and correspondence in the *Keller* trade secret lawsuit nor have I regularly been kept abreast of the day-to-day activities of counsel therein. At the time of the filing of the captioned application, I was generally aware that the *Keller* trade secret lawsuit involved misappropriation by Keller of trade secret and proprietary information of Mag Instrument, and, based upon the information disclosed in my investigation, I believed that Keller had misappropriated the invention which is the subject of the captioned application from Mag Instrument and that Lite-Tek was producing a flashlight which embodied that

invention. However, I was not aware at the time of filing the captioned application, nor indeed was I aware until very recently, when it was brought to my attention by other Lyon & Lyon attorneys, of any evidence off possible commercialization of the gripper invention by Lite-Tek more than one year before the January 29, 1988 filing date of this application.

23. I declare further that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true; and further that these statements were made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment or both, under Section 1001 of Title 18 of the United States Code and that such willful false statements may jeopardize the validity of the application or any patent issuing thereon.

Dated: March 29, 1990

By /s/ Jon E. Hokanson
JON E. HOKANSON

DECLARATION OF JERROLD B. REILLY

I, JERROLD B. REILLY, do hereby declare:

1. I am an attorney associated with the law firm of Lyon & Lyon, counsel for Mag Instrument in this matter. All statements made herein upon my personal knowledge are true; and all statements made herein upon information and belief are believed by me to be true.

2. On or about March 2, 1990, I was requested by Jeffrey M. Olson, a member of the firm, to assist in an investigation relating to certain commercial activities possibly occurring prior to January 29, 1987 and involving a flashlight made by Lite-Tek International Corporation ("Lite-Tek") which embodied the invention claimed in U.S. Patent Application S.N. 150,058.

3. In the course of assisting in that investigation, I reviewed facts pertinent to an earlier investigation made by Jon E. Hokanson of this firm and attempted to confirm the time when, and the circumstances under which, a certain Kershaw rubber-sleeved flashlight (which I understand was made exclusively for Kershaw by Lite-Tek and was given to Mr. Hokanson by Mag Instrument, sometime in or after October 1987, for Mr. Hokanson's analysis) was obtained by Mag Instrument. On March 27, 1990, I succeeded in reaching, and interviewing by phone, a manufacturer's representative who reported to me that it was he who had obtained the flashlight in question. He stated that he had obtained the flashlight, along with another Kershaw rubber-sleeved flashlight having a smaller (AAA) battery size, from a warehouse employee at a Snap-On Tools location in Albany, New York, within a day or two after March 8, 1987. He explained to me that he arrived at that date by associating the event of his trip to Albany, New York with the known date when a certain trade show, which he had been attending in a nearby city, ended. The

manufacturer's representative reported that he did not see any such flashlights "on the shelves" at the Snap-On warehouse; that the Snap-On employee told him the flashlights were "samples;" and that the Snap-On employee told him that Snap-On either had ordered or would be ordering such flashlights. The manufacturer's representative confirmed to me that he had forwarded at least one of the samples to John Carroll, who, as I am informed by Mr. Carroll, forwarded it to Mag Instrument on a date which, when I recently interviewed him, he was unable to recall.

4. I also attempted to determine when Kershaw rubber-sleeved flashlights were first ordered by, and first arrived at, various Snap-On Tools outlets within the United States. I enlisted the help of a Mag Instrument sales employee and a manufacturer's representative, both of whom, as I was told, knew Snap-On employees who they thought might be able and willing to provide such information. Both later reported to me that they had been unsuccessful. The manufacturer's representative reported that he had spoken to two different employees at two different Snap-On warehouses and that each separately told him that it is a company-wide policy of Snap-On to dispose of ordering documents after one year, so that no documents would be available which would show ordering activity as far back as 1987 or earlier.

I declare under penalty of perjury that the foregoing is true and correct. I am aware that willful false statements and the like are punishable by fine or imprisonment, or both (18 U.S.C. § 1001) and may jeopardize the validity of U.S. Patent Application S.N. 150,058 and any patent issuing thereon.

Executed this 29th day of March 1990, at Los Angeles, California.

/s/ Jerrold B. Reilly
JERROLD B. REILLY,
Declarant

APPENDIX H

Patent 180/242

IN THE UNITED STATES PATENT
AND TRADEMARK OFFICE

In re Application of: ANTHONY MAGLICA
Serial No.:
Filed:
For: FLASHLIGHT GRIPPER

**RULE 131 DECLARATION
OF ANTHONY MAGLICA**

Commissioner of
Patents and Trademarks
Washington, D.C. 20231

Dear Sir:

I, Anthony Maglica, do hereby state as follows:

1. I am the inventor of the flashlight gripper as described and claimed in the above identified patent application.

2. I am also president of Mag Instrument, Inc., assignee of the above identified patent application.

3. Prior to April 1, 1986, I disclosed my invention for the gripper to various employees of Mag Instrument, Inc. and had certain drawings prepared to illustrate my ideas. At that time the idea was referred to in one drawing as a "Sleeve/Rubber Grip for all 'C' size Flashlights". A copy of a pre April 1, 1986 drawing, No. B 408-000-014, with dates blanked out, is attached hereto as Exhibit A and illustrates my idea at a pre April 1, 1986, stage of development.

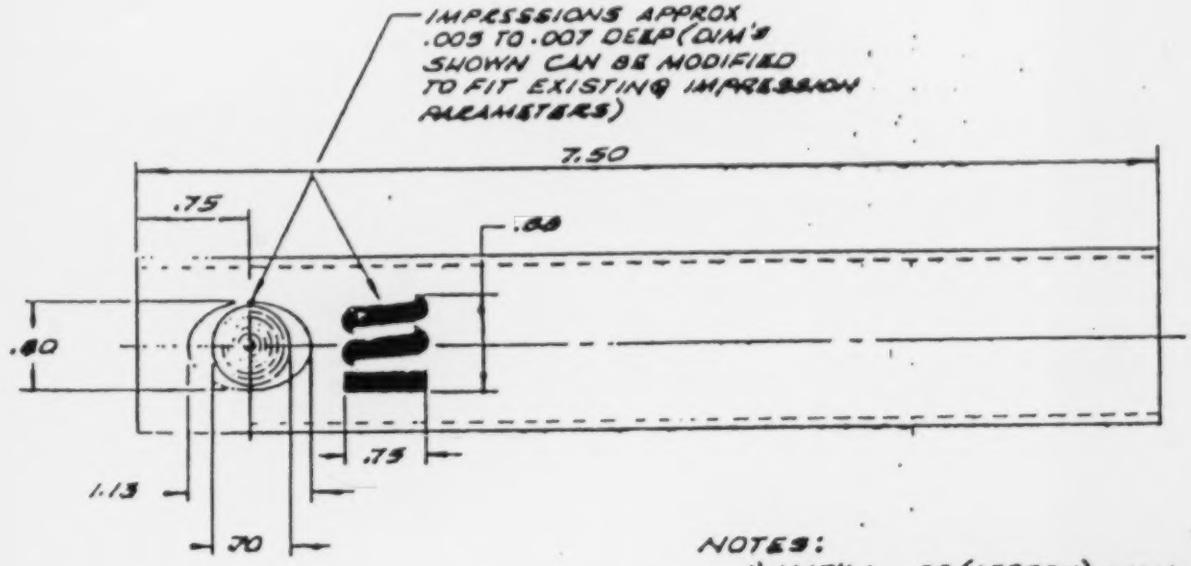
4. On of the Mag Instrument, Inc. employees to whom I disclosed my gripper idea and with whom I talked about my gripper idea was Don Keller. Attached hereto as Exhibit B is a copy of another Mag Instrument, Inc. drawing, which dates blanked out, drawing No. B 408-000-013, which was shown to Don Keller prior to April 1, 1986. The note on the drawings which is addressed to "Don Keller" was written by Fred McAlister, another Mag Instrument, Inc. employee to whom I disclosed my flashlight gripper invention.

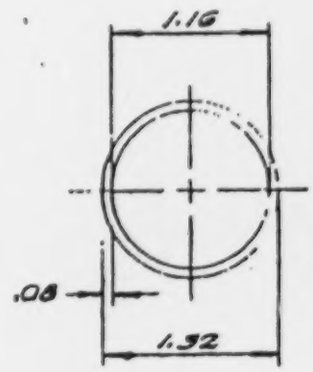
5. Don Keller was employed at Mag Instrument, Inc. for approximately seven years and left Mag Instrument, Inc. on or about April 1, 1986.

6. I hereby declare that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true; and further that these statements were made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both under Section 1001 of Title 18 of the United States Code and that such willful false statements may jeopardize the validity of the application or any patent issued thereon.

Dated: 1-19-88

/s/ Anthony Maglica
ANTHONY MAGLICA





NOTES:
1) MAT'L: .08 (APPROX) WALL NEOPRENE
2) FINISH: GROUND (BUFFED, VELVETINE, etc.)

PROPOSAL ONLY

MAG INSTRUMENT 1635 DE SACRAMENTO ONTARIO, CA. 91762 714-947-1006	SLEEVE/RUBBER GRIP FOR ALL 'C' SIZE FLASHLIGHTS	REV'S A' B408-000-014

Exhibit A

CONFIDENTIAL

BEST AVAILABLE COPY

CONFIDENTIAL

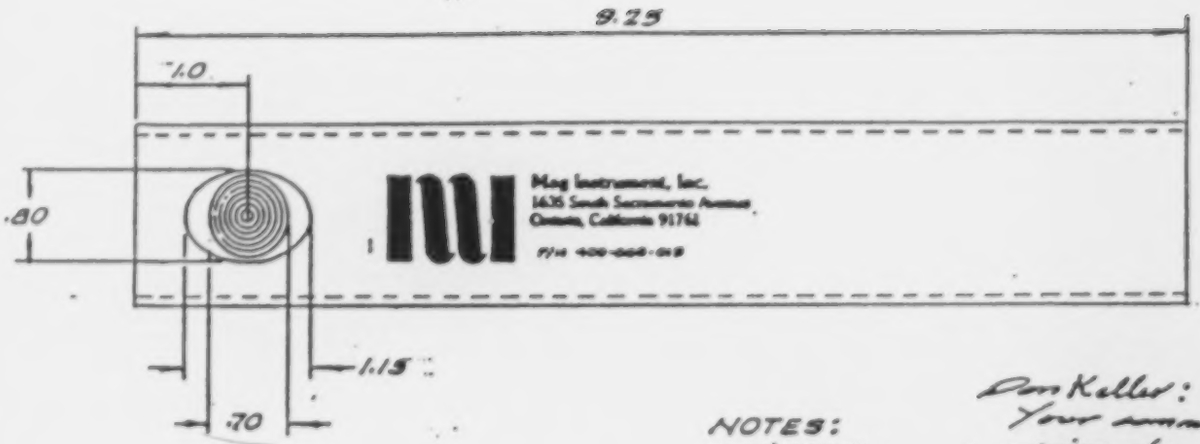




Exhibit B

A076

NOTES:
1) MAT'L:
2) FINISH:

Don Keller:
Your remarks, suggestions, etc. prior to finalizing. Re: logo arrangement, mat'l, finish, etc. Tony will be getting preliminary quote as shown for $ only.
PROPOSAL ONLY Fred

MAG INSTRUMENT 1635 So SACRAMENTO ONTARIO, CA. 91762 - 714-947-1006			
	FULL SIZE		FRMTA'
SLEEVE/RUBBER GRIP FOR ALL 'D' SIZE FLASHLIGHTS			B408-000-013

BEST AVAILABLE COPY

Patent 190/056

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re Patent of:
ANTHONY MAGLICA

Serial No.: 503,253
Filed: April 2, 1990

For:**FLASHLIGHT GRIPPER**

Group Art Unit 346
Examiner: S. Husar

DECLARATION OF ANTHONY MAGLICA

Honorable Commissioner of Patents and Trademarks
Washington, D.C. 20231

Sir:

I, Anthony Maglica, hereby declare and state:

1. I am the inventor named in this application. All statements made herein upon my personal knowledge are true, and all statements made herein upon information and belief are believed by me to be true.

2. Prior to the date (on or about April 1, 1986) when Donald A. Keller left his employment at Mag Instrument, Inc., meetings were held at Mag Instrument, Inc. where I, in the presence of Mr. Keller, described my idea for a flashlight "gripper" which was recessed into the barrel of the flashlight.

3. Attached hereto as Exhibits A and B are true copies of two pencil sketches which I found among my personal effects at home in early November 1989.

Although the sketches are undated, I recognize them as ones which I personally drew, and I believe that I drew them at or about the time when I disclosed my "recessed gripper" idea to Mr. Keller. The sketches depict several alternative embodiments of a flashlight with a recessed gripper. I recall with certainty that I showed Mr. Keller sketches of my "recessed gripper" idea while he was employed at Mag Instrument. Although I am not certain at this time whether the sketches attached hereto as Exhibits A and B are the very sketches I showed Mr. Keller, they may have been; and I am sure that the sketches I showed him were at least very similar to those attached hereto as Exhibits A and B, in that they depicted a recessed gripper on a flashlight barrel.

4. As explained more fully in my Rule 131 declaration prepared for another case and executed by me on January 29, 1988, the document attached hereto as Exhibit C is a copy of a pre-April 1, 1986 drawing, labeled "Sleeve/Rubber Grip for all 'C' Size Flashlights," numbered B408-000-014, with dates blanked out. This is a drawing which I had prepared to also illustrate my ideas. Attached hereto as Exhibit D is a copy of another Mag Instrument drawing, labeled "Sleeve/Rubber Grip for All 'D' Size Flashlights," numbered B408-000-013, bearing a note addressed to "Don Keller" which was written by Fred McAlister, another Mag Instrument, Inc. employee to whom I disclosed my flashlight gripper invention. The Exhibit D drawing was shown to Donald Keller prior to April 1, 1986.

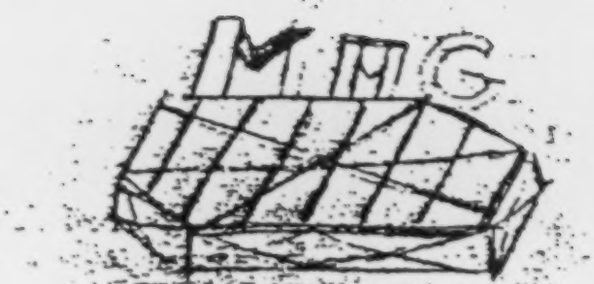
5. I have worked for many years in the flashlight industry and am familiar with the level of skill of workers in the art. From the sketches and drawings attached hereto as Exhibits A through D, accompanied by an explanation that what is depicted is a recessed rubber "gripper" on a flashlight barrel, a person of ordinary

skill in the art could immediately see that the invention would operate successfully for its intended purpose and would immediately know how to construct a working embodiment of the invention.

I declare under penalty of perjury that the foregoing is true and correct. I am aware that willful false statements and the like are punishable by fine or imprisonment, or both, under Section 1001 of Title 18 of the United States Code and that such willful false statements may jeopardize the validity of the application or any patent issuing thereon.

Executed at Ontario, California, this 8th day of February 1991.

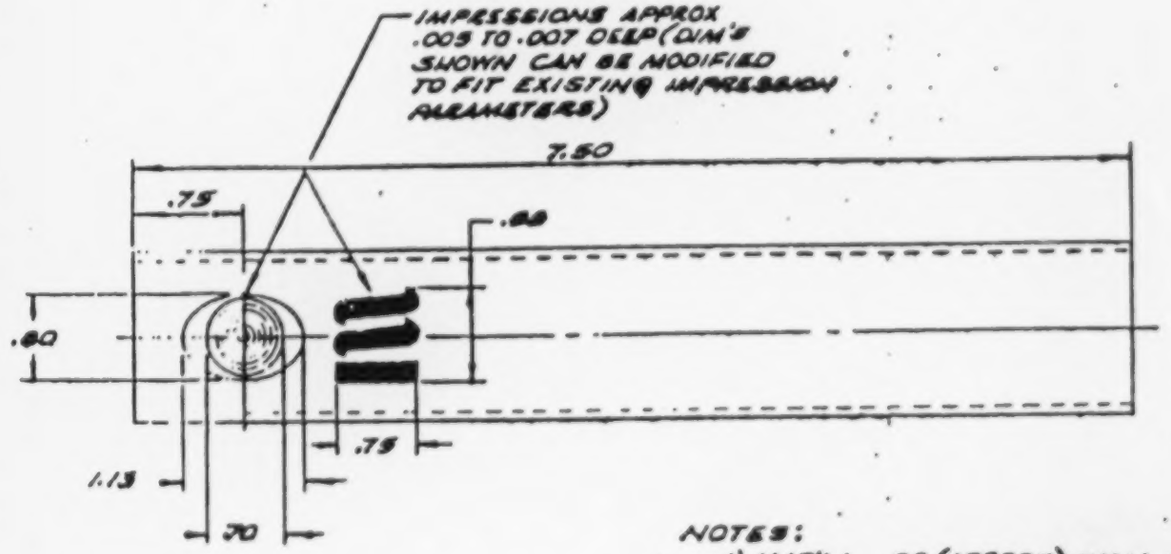
/s/ Anthony Maglica
ANTHONY MAGLICA,
Declarant

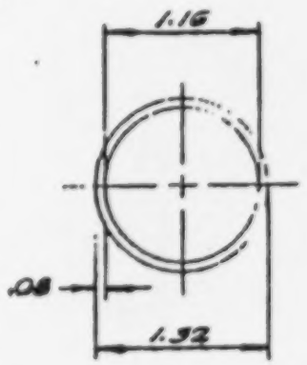


CONFIDENTIAL



CONFIDENTIAL





NOTES:
1) MAT'L: .08 (APPROX) WALL NEOPRENE
2) FINISH: GROUND (BUFFED, VELVETINE, etc.)

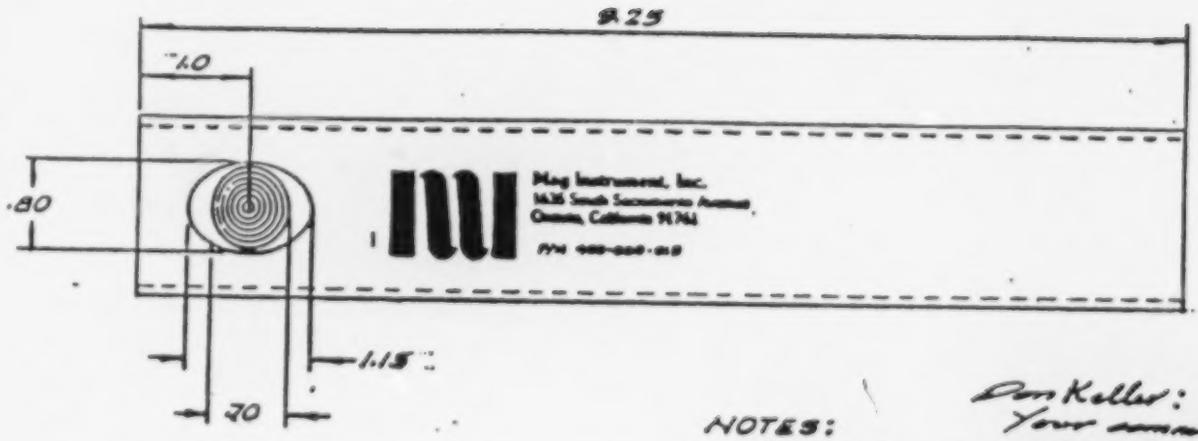
PROPOSAL ONLY

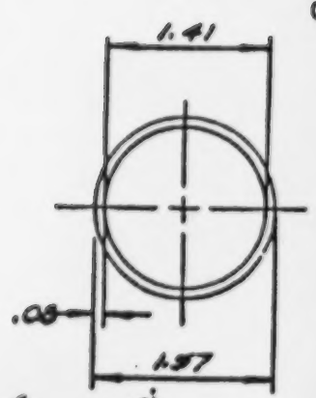
MAG INSTRUMENT 1838 So SACRAMENTO ONTARIO, CA. 91762 714-947-1006					
				REV	
			ELEVE/RUBBER GRIP FOR ALL 'C' SIZE FLASHLIGHTS		B408-000-014

CONFIDENTIAL

BEST AVAILABLE COPY

CONFIDENTIAL





NOTES:
1) MAT'L:
2) FINISH:

Don Keller:
Your comments, suggestions, etc. prior to finalizing. Re: logo arrangement, mat'l, finish, etc. Tony will be getting ~~[illegible]~~ parts as shown for $ only.
PROPOSAL ONLY
Fred

MAG INSTRUMENT 1635 So SACRAMENTO ONTARIO, CA. 91762 - 714-947-1006		FULL SIZE	REV'A'
	SLEEVE/RUBBER GRIP FOR ALL 'D' SIZE FLASHLIGHTS		B408-000-013

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APPENDIX I

TRANSCRIPT OF ORAL ARGUMENT BEFORE THE COURT OF APPEALS FOR THE FEDERAL CIRCUIT

[Robert C. Weiss, Counsel for Appellant (RCW)]
[Judges (J1, J2, J3)]
[Mr. Schafer, Counsel for the Commissioner (OC)]

RCW All right. If it please the court, my name is Robert Weiss. I represent the appellant and applicant Mr. Anthony Maglica. This is an appeal from the Board of Patent Appeals and Interferences refusing to issue an application to Mr. Maglica. This case presents a relatively unique set of circumstances. It's a set of circumstances which several courts in the past have suggested would create an exception to the on-sale bar.

J1 If we sent this back to the Board, holding that there was an exception for some kind of piracy that created the bar, how would the Board determine whether in fact there had been piracy?

RCW The Board would determine it based on the facts that are presented by the applicant. It seems to me it makes no sense here to suggest that the —

J1 So then, every applicant will have certainly an incentive to say there's no onsale bar because there was piracy.

RCW If that was so, the applicant, I suppose, would have an incentive not to disclose anything at all. Certainly, we have to rely on the integrity of those who practice before the Patent Office and the reason we're here today is based on that very premise; because this patent would have issued but for the fact that the applicant brought to the attention of the Patent Office the facts which

caused the refusal to issue the patent. In this case —

J1 There was a suit filed by your client against Keller.

RCW Yes, Your Honor. That was a suit —

J1 Why isn't that the remedy in this case?

RCW Because it's only a remedy against Mr. Keller. It is not a remedy for —

J1 But aren't the damages caused by Mr. Keller the loss potentially if there is no exception here for piracy, aren't the damages the same damages, the full damages of the lost patent rights?

RCW No, I don't believe so, because of the unique nature of the patent which provides the inventor with exclusivity. Mr. Maglica would have no ability to prevent others —

J1 Until there's action, until there's wrongful action, would have deprived Maglica of that particular exclusive right and all of the monetary benefits of it.

RCW That's true, but Mr. Maglica would never —

J1 — the damages in that action, the remedy for piracy in this instance.

RCW I don't believe so, Your Honor, because part of any remedy in a patent case is the right to an injunction and Mr. Maglica would never be able to obtain an injunction against third parties because he would not have the patent upon which to base that remedy.

J1 But he would then get, presumably from Mr. Keller, full compensation for the loss of that right to impose an injunction; is that correct?

RCW I don't believe you can calculate that type of thing, the damages.

J1 Don't you calculate that somewhat routinely in patent cases? Don't we calculate how much damage has been done because someone has violated an exclusive right?

RCW Past damages, yes, Your Honor, but these would be future damages because these would be third parties who would be permitted to practice the invention after the action was brought against Mr. Keller and there would be no way in which to calculate those damages. It would be a best guess.

J1 Which is what we often do in damages, right, is to make a best estimate of what the likely damage was?

RCW Well, my recollection of the law in that area, Your Honor, is that you are not to speculate with regard to damages. And I think this would be one of pure speculation since you wouldn't know who or how much the infringement would be in the future.

J2 But at least you could get — you could do the best you can under the circumstances, right?

RCW I don't know what —

J2 There's rarely a perfect remedy for a wrong, is there?

RCW Correct, but you usually know who the wrongdoer is and you know the number of sales and the time period over which those sales occurred. Here, you wouldn't.

J1 What happened in that action against Keller, by the way?

RCW That action which was part of other litigation, other cases, was eventually settled, and that settlement is the subject of a confidentiality agreement.

J1 Can you share that with this court?

RCW I don't believe I can. I can only say that I don't think it impacts on the position that we're asserting.

J1 What if this court believes that it impacts on the position?

RCW If it did, I could seek, I suppose, relief from the court and perhaps from the other side, to disclose the contents of that settlement.

J2 Any actions _____? Can we just assume that it was full satisfaction for this?

RCW I don't believe so, Your Honor, for the reasons I've already stated. Whatever relief was provided, only provided relief from those parties that were involved. It provided no relief for future infringement by other unknown persons using this invention.

J2 But we don't know. We could assume you got as much as you possibly could.

RCW I think I could represent that what I've just told you is correct. Let me go on. I won't take up too much time because we have, I think, briefed this issue rather thoroughly. But I think it is very important here in analyzing this case and comparing it with the other cases that this case goes well beyond those cases where the inventor or the inventor's assignee either initiated or acquiesced in the commercial exploitation or commercial activity which eventually led to the bar. For example, the *Lorenz* case, the *Ford* case, and the

Buildex case; those were all places in which the inventor or his assignee one way or another initiated the commercial activity and in that sense, the inventor was as said in *Lorenz*, the master of the situation and by prompt action could have protected himself. That is not the case here. Mr. Maglica was never the master of the situation unless you adopt the theory that an inventor should file an application within one year of any disclosure of his invention, even if it is to a fellow employee who is under an obligation of secrecy. And if you —

J1 What's the purpose of the statutory bar here?

RCW I think the purpose of the statutory bar is — rests on four policies that have been announced. One is that the inventor will not commercially exploit his invention beyond the 17-year period. The other policy is — another policy is that the inventor will promptly disclose his invention. Another policy, and an important policy in today's age, is that the inventor should have a reasonable amount of time —

J1 Let's get to the fourth one.

RCW Okay. That is the fourth one, that I'm speaking of. A reasonable amount of time following sales activity —

J1 Well, what's the one you've missed, so far?

RCW To determine — the one I've missed would be the removal of the invention from the public domain where the public, based on prolonged —

J1 — from the public, for the public, then when they have come to expect that an invention is already in the public domain then is part of this equation, right?

RCW Absolutely.

J1 How does that apply with respect to Kershaw and those others who have indeed, Snap-On, those who have purchased this invention, made considerable investments, fully expecting that it is in the public domain?

RCW Well, I think under the policy, the public we're speaking of is the general public. Granted, those parties may be a part of that public, but we're not talking here about the prolonged sales activity which would give the public a reasonable expectation to believe —

J1 But didn't Snap-On and Kershaw have a reasonable expectation that this was in the public domain?

RCW I don't believe so.

J1 And did they act on that reasonable expectation, and is that part of the policy before the statutory bar?

RCW I believe it's part of the policy, but I don't believe there was any reasonable expectation here.

J1 Why not?

RCW Well, let's assume that an application was pending during the time that that activity occurred and that patent issued. There, despite the fact that they had engaged in this activity, they would still be precluded from future sales. So I don't know how you can say that there was any reasonable expectation that this was already in the public domain and would not be patented.

J2 Well, it seems to me you're really making a different argument, not an inappropriate argument. Whether Kershaw had reasonable expectations is at least questionable, but Snap-On

presumably could have had reasonable expectations because they never talked to Keller. But the argument I gather that you are making back to Judge Rader is that there are other ways — other circumstances in which someone could rely on what looks like something in the public domain and then suddenly be cut off. That is, a patent application that's been pending for 20 years on something that's already out there and suddenly the patent is granted, people who relied on what looked like public domain are now caught; is that your argument?

RCW It is; we're not talking about a 20-year period here. We're talking about a relatively short time period and that's correct. I don't believe that we're talking about the prolonged type of sales activity that would give rise to a reasonable expectation on the part of Snap-On.

J1 All right. Want to reserve the rest of your time?

RCW Yes, sir.

J1 Mr. Schafer.

OC May it please the court, I think that two of the policies involved in 102(b) are critical in this case and the first one is the one that was just under discussion about reasonable expectation of the public. Now, "the public," according to the precedent, includes more than the ultimate users. It includes manufacturers, it includes wholesalers, it includes distributors.

J2 But isn't it true that that same problem exists when we have an application pending for any period of time?

OC Yeah, it is true to a degree, but the thing is here we have a line that Congress has bought and in those other circumstances, we are on one side of

the line because the application has been filed and there isn't a statutory bar out there and there isn't a use, a — a sale, an on-sale more than a year before the filing date.

J2 How do you get around *Pintoff* and the other Supreme Court cases?

OC Excuse me?

J2 How do you get around *Pintoff* and the other Supreme Court cases?

OC Well, none of those cases did, was a — was an exception to the on-sale used to allow the patent to issue or the fail to invalidate a patent. There were other facts there. And although that language is dicta, because it talks in language of it may be that, if there is a fact. And I don't know exactly who they were talking about. If they were talking about, certainly there's equities involved here. And certainly when you're talking about the equities between the inventor and the thief, there's very strong equities and the inventor should be protected. But there's also, should those equities run against the public where there's two I think very important public policies here; one, not withdrawing the invention from the public domain which there's a reasonable belief is out there in the public domain; and two, encouraging early filing of the invention. Now, under the facts of this case —

J2 _____ the statute tells you what the period of early filing is. It's one year from the time you put it on sale.

OC It's one year from the time a sale, it is on sale by anybody under the precedents.

J2 That, of course, is the issue we're discussing. Let's not beg that question. It's one year from the time something has occurred.

OC That's correct.

J2 The question is what. Okay. But the statute sets that time. There's no policy issue involved in it, is there?

OC No. As far as the statute is clear on that but there's a statute — there is a policy issue about whether we're going to excuse the activities expressly described in the statute and to excuse it I think you'd have to get around this policy on early filing. When you look at the facts here, that the appellant has put in, what you're seeing is this invention was made sometime prior to March of 1986 according to their own affidavits. We don't know how much prior, but that invention was there. It's a relatively simple invention. That doesn't mean it might not be patentable under the proper circumstances, but it was easily understandable by anybody who sees one of these, one of the flashlights. It wasn't — it wasn't until January of '88, just short of two years later that an application gets filed and that only after (1) the applicant becomes aware of others in the marketplace with this and that occurred in March of '87, he found out, the applicant found out that there were others selling flashlights according to his invention. He didn't go to his patent attorneys until September of '87 and then no application was filed until January of '88. Had applicant taking immediate action when he said, there's an application out there; there's a product out there that infringes my invention. He'd taking immediate action, he still had two months to be within the one-year period. So once he, the applicant

even knew about it, if he acted quickly, he wouldn't have this bar. And that's where the language for example in the *Lorenz* case where the Applicant is the master of his own destiny. He could have filed much earlier. He could have even filed after he had notice and that wasn't done here. And I think under the circumstances of this case I think the policy on encouraging early filing should have applicability and the situation here, regardless of the fact that it may have been stolen shouldn't apply.

J1 You rely heavily on the language of the statute which does not include any exception and yet courts over the years have grafted many exceptions into the patent act to provide adequate protection for inventor rights. Why isn't this an instance which cries out for that sort of protection?

OC Well, I think, in a situation like this, I think what we need, the reason I would say is that on the facts of this case we need an explanation why it wasn't filed earlier. Why couldn't it have been filed earlier? Why were there all these delays? Even in the face of knowing there was apparently an infringing product on the market —

J1 You're arguing that we could find an exception here and still say it doesn't apply in this case.

OC That's right. That's right. And we're not taking, we're not taking the position that there should never be an exception. There may be facts where an exception is called for.

J2 Well, that didn't come out of your brief. For each one of these — I understood your position to be that it is an absolute in the statute and sort of like the attorney-client privilege, once it's been lost

whether inadvertently or not, it's gone.

OC Well, it's — I didn't mean to leave that exact impression. I think there is room for an exception. We argued strongly that —

J2 It's a question of fact that has to be developed in each case and that's the question then is the one that Rader asked Mr. Weiss how you gonna develop all these facts?

OC Well, that is a real problem and I think an appropriate case might be if I have to really speculate, is where as a result say of a suit in another court in a state court or in a federal district court it is held that a particular party stole the invention. There has been a real opportunity for somebody to defend on it. And there's that judgment. I think we could in the Patent Office we could take cognizance of that judgment. But I don't know in a broad issue having the PTO short of starting something of a nature of a public use an interparty public use proceeding in these cases where and under 35 USC 24 give people subpoena power, I don't know how we could really look into it. We've even, by Commissioner's order we've gotten out of examination in our applications of broad issues that come up, issues of fraud and inequitable conduct in the normal examination of applications, we've just gotten out of that business because as it turned out we couldn't get the right type of information.

J2 Yes. This is very much like that.

OC What?

J2 This is very much like that.

OC That's correct. And it would be very difficult.

J3 But if we concede that the exception exists, or an exception may exist and if we concede that it's a question of fact, it seems to me if the PTO, if the PTO could arrive at the decision it arrived at, without having some basis in fact to get there, isn't it by definition an arbitrary decision for them to simply say we will presume against him even though we recognize an exception may apply in an appropriate factual case; since we don't know what the facts are, you lose. Can we have that? How could we sustain such a rule?

OC No, I don't — I think

J3 We can't uphold the PTO decision absent substantial evidence in the record or I guess clear error or something. But if you don't know and we don't know how can we uphold you?

OC Yeah, I don't see how you can. The example I gave is the only one I thought about this. The example I gave was the only one I could think of where you had the evidence and the fair opportunity for the party charged to come in and present evidence.

J3 But it seems to me the only way you can get out of that box is to go back to the position you took in your brief, no exceptions possible.

OC Well, it's — the position was how can you really decide this and I don't know how other than the one example I gave you how we can come to a reasonable decision. I agree with you. I don't think for us to just ignore it would be a reasonable decision if we have to consider. And that's what I said. We might have to do that, create some sort of interparty proceeding analogous to a public use proceeding where the parties, then the party could come in and present the use he

desired. But other than that, and expanding it, I don't see how we could do it.

J2 So what is your position on this case, on this issue?

OC Well, our position is the basic issue is that there isn't as far as this case goes, there certainly should be no exception applied because of the particular facts in the case. We don't think, as we said in the brief, that there has been created an absolute exception. There's never been a case of all these cases where an exception has been applied. There's been dicta that said there might be. But there's never been a case where the facts would actually warrant the application of an exception. So I don't think we have to create an exception. I don't think the speculation of the court means that there is one.

J2 Well, you say there have never been any facts but then you say also say that you can't develop the facts so how do you know there have never been any facts?

OC Well, this issue as far as coming, this is as far as we're aware, this is the only time the issue has been raised in the PTO.

J2 Ever.

OC As far as anybody — the institutional memory, they haven't seen this before.

J3 Our research supports you. We could find nothing that —

OC Yeah, we looked.

J3 — that even suggests this.

OC And this is, this is fairly unique in this — if there's no further questions.

RCW I think one thing I should point out, is I think that there's a — somewhat of a flaw in the Commissioner's position and that is that the applicant had knowledge of sales prior to the disclosure of the invention to the patent attorney in September of 1987 and I don't believe the facts support that. I think it must be assumed that prior to that date there is no basis the applicant had made any decision prior to that time that this invention was worthwhile to patent and that's a part of the policy underlying the on-sale bar.

J3 How were the facts developed in this case? Were they developed by affidavit or was a hearing held? How did — you all are saying that you disagree on the facts. I mean, where did the facts come from?

RCW The facts came from the affidavits that we submitted to the Patent Office, Your Honor.

J3 So there never was any kind of evidentiary proceeding?

RCW No, there were depositions taken but it was really this particular facet was developed only through an investigation conducted by our firm and then the affidavits comprised — affidavits from the lawyers who participated in that investigation.

J2 There were no depositions in this proceeding?

RCW No.

J2 That was in the other proceeding?

RCW That is correct. But, as I say, I think a — an important policy here is that the applicant should have this time to determine whether it was worthwhile to patent his invention and if you look at that point in time as being September of 1987, the only delay represents a delay by the patent

attorneys attempting then to investigate the facts because in October of 1987, he was given information to the effect that there were certain flashlights on the market that embodied that invention and when he completed that investigation, he then filed the application prior to what he knew to be any bar due to any sales of the invention itself. What I would conclude with is that I think this court is in a somewhat unique position in that in contrast to the somewhat callous approach adopted by *Lorenz* where the Court admitted that instances of injustice to inventors may result, this court by permitting the patent to issue can provide a remedy which is a fair and just and I think the only remedy that is available to the applicant.

J2 Thank you, sir.

APPENDIX J

UNITED STATES CONSTITUTION
AMENDMENT 5

Criminal actions — Provisions concerning — Due process of law and just compensation clauses.

No person shall be held to answer for a capital, or otherwise infamous crime, unless on a presentment or indictment of a Grand Jury, except in cases arising in the land or naval forces, or in the Militia, when in actual service in time of War or public danger; nor shall any person be subject for the same offence to be twice put in jeopardy of life or limb; nor shall be compelled in any criminal case to be a witness against himself, nor be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use, without just compensation.

35 U.S.C. § 102

Conditions for patentability; novelty and loss of right to patent

A person shall be entitled to a patent unless —

(a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent, or

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States, or

(c) he has abandoned the invention, or

(d) the invention was first patented or caused to be patented, or was the subject of an inventor's certificate, by the applicant or his legal representatives or assigns in a foreign country prior to the date of the application for patent in this county on an application for patent or inventor's certificate filed more than twelve months before the filing of the application in the United States, or

(e) the invention was described in a patent granted on an application for patent by another filed in the United States before the invention thereof by the applicant for patent, or on an international application by another who has fulfilled the requirements of paragraphs (1), (2), and (4) of section 371(c) of this title before the invention thereof by the applicant for patent, or

(f) he did not himself invent the subject matter sought to be patented, or

(g) before the applicant's invention thereof the invention was made in this country by another who had

not abandoned, suppressed, or concealed it. In determining priority of invention there shall be considered not only the respective dates of conception and reduction to practice of the invention, but also the reasonable diligence of one who was first to conceive and last to reduce to practice, from a time prior to conception by the other.

APPENDIX K

COMMISSIONER'S BRIEF TO THE COURT OF APPEALS FOR THE FEDERAL CIRCUIT

* * * * *

[Statement of Facts, heading B, 2.]

* * * * *

b. The purported surreptitious, piratical and fraudulent activities

Applicant sets forth in great detail the purported surreptitious, fraudulent and piratical activities that placed the claimed invention on sale. The Board (A006) did not find it necessary to evaluate these allegations and make a determination as to whether the invention was placed on sale as a result of surreptitious, piratical or fraudulent activities. The Commissioner shares the Board's view. It is therefore unnecessary to present those facts here. We note, however, that the applicant's corporation, Mag Instruments, Inc., brought a civil action in the California Superior Court against Donald A. Keller. We have included a copy of the complaint and answer thereto at pages SA005 to 040 of the Commissioner's Supplemental Appendix. That action alleged many of the same facts relied upon to show Keller's purported misconduct. SA008-13, 16-17. In his answer to the complaint, Keller denied any wrongdoing. SA032-36. Counsel for the Commissioner has been informed that the suit was settled and that the terms of the settlement have been sealed.

* * * * *

[ARGUMENT]

* * * * *

II. The PTO is not in a position to determine improper conduct of a person not a party to the proceeding

There is a separate policy reason why the exception should not apply in this case. Applicant is asking the PTO to rule that a party, it does not have before it, and who does not have an opportunity to respond to the charges, be found guilty of fraud. This type of decision is unfair to the party charged and simply inappropriate for ex parte resolution. *See In re Tlidovici*, 482 F.2d 958, 965, 179 USPQ 84, 88 (CCPA 1973) (Allegations of misrepresentations made resulting in issuance of a patent used as a reference are not properly considered in an ex parte proceeding where the reference patentee is not a party.) In this regard it should be noted that Keller has apparently denied the assertions made by applicant. SA032-36.

* * * * *

APPENDIX L

07/503,253 APPLICATION

Claims 1 through 6 and 16 through 33 presently read as follows:

1. (Twice Amended) A flashlight including:

a flashlight having a head assembly, a cylindrical barrel and a tailcap assembly;

a recessed barrel portion extending axially along a predetermined length of said barrel and extending radially along the entire circumference of said barrel;

an elongated, elastomeric tube open at both ends [and adapted to fit] *which fits* over the recessed portion of the barrel of the flashlight; and

means defined by said *elongated, elastomeric* tube for enhancing gripping on its outside surface.

2. (Amended) The [gripper] *flashlight* of claim 1 wherein the means for enhancing gripping includes longitudinally extending channels.

3. (Amended) The [gripper] *flashlight* of claim 1 wherein the means for enhancing gripping includes radially extending channels.

4. (Amended) The [gripper] *flashlight* of claim 1 wherein the means for enhancing gripping includes diagonal cross channels extending around its outer periphery.

5. (Amended) The [gripper] *flashlight* of claim 1 wherein the means for enhancing gripping includes a matte finish on the outer periphery of sufficient quantity and of a nature sufficient to yield a fluffy, textured external surface of the tube.

6. (Amended) The [gripper] *flashlight* of any of claims 1 to 5 (in combination with a dry cell flashlight having a] *wherein said recessed portion* cut into [its] *said* barrel *is* of a length equal to the length of the *elongated, elastomeric tube* [gripper].

16. A flashlight including:

a flashlight having a head assembly, a cylindrical barrel and a tailcap assembly;

a recessed barrel portion extending axially along a predetermined length of said barrel, said recessed portion extending circumferentially around the barrel along the predetermined length, said recessed portion terminating in a first end defined by said barrel and spaced from said head assembly and in a second end defined by said barrel and spaced from said tailcap;

an elongated elastomeric tube open at both ends which fits at least partially within said recessed portion such that said ends of said recessed barrel portion restrain said tube from longitudinal motion along said barrel; and

means defined by said elongated elastomeric tube for enhancing gripping on its outside surface.

17. The flashlight of claim 16 wherein the means for enhancing gripping includes longitudinally extending channels.

18. The flashlight of claim 16 wherein the means for enhancing gripping includes radially extending channels.

19. The flashlight of claim 16 wherein the means for enhancing gripping includes diagonal cross channels extending around its outer periphery.

20. The flashlight of claim 16 wherein the means for enhancing gripping includes a matte finish on the outer periphery of sufficient quantity and of a nature sufficient to yield a fluffy, textured external surface of the tube.

21. The flashlight of any of claims 7 to 11 wherein said recessed portion cut into said barrel is of a length equal to the length of the elongated, elastomeric tube.

22. A dry cell flashlight comprising:

a barrel made of first material and adapted to contain at least one dry cell battery;

an undercut in a portion of said barrel and extending circumferentially around the barrel;

a head assembly containing a lamp, reflector, lens and means for conducting electric current through the lamp;

a means for switching the flashlight on or off; and means for enhancing the gripping capability of the barrel;

wherein said means for enhancing is made of a second material, and extends around the entire outer periphery of the barrel along said undercut, said means for enhancing and said undercut extending axially for a predetermined length along the barrel between a non-undercut first end and a non-undercut second end of the barrel and whereby ends of said undercut restrain longitudinal motion of said means for enhancing.

23. The flashlight of claim 22 wherein the means for enhancing the gripping capability is made of an elastomeric material.

24. The flashlight of claim 23 wherein the external surface of the means has a matte type finish.

25. The flashlight of claim 23 wherein the external surface of the elastomeric material is channeled.

26. The flashlight of claim 23 wherein the elastomeric material is an electrical insulator.

27. The flashlight of claim 23 wherein the elastomeric material is a thermal insulator.

28. The flashlight of claim 23 wherein the external surface is channeled and has a matte type finish.

29. The flashlight of claim 23 wherein the outer surface of the elastomeric material is flush with the outer surface of the barrel.

30. The flashlight of claim 23 wherein at least a portion of the outer surface of the elastomeric material extends in a radial direction beyond the outer surface of the barrel.

31. A small metal flashlight comprising:

a metal head assembly positioned at a first end of a metal barrel and including a lamp bulb, a reflector, and a lens;

a switch means for energizing said lamp bulb; a tailcap assembly position at a second end of the metal barrel;

the metal barrel being cylindrical and adapted to accommodate a battery source of power;

the barrel having a first outer diameter along a first portion of its length adjacent the first end and along a second portion of its length adjacent the second end;

the barrel also having a second outer diameter along a third portion of its length to define a recess which extends circumferentially around the barrel and between the head assembly and the tailcap assembly, the second outer diameter being smaller than the first outer diameter;

an elastomeric tube positioned circumferentially around and at least partially within said recess whereby said tube provides a gripping surface on said barrel and said barrel restrains longitudinal movement of said tube.

32. The flashlight of claim 31 wherein the recess and the tube have a length substantially equal to the width of the normal adult human hand.

33. The flashlight of claim 31 wherein said tube has a plurality of channels extending longitudinally along the entire length of said tube and extending radially around the entire circumference of said barrel.

Supreme Court, U.S.
FILED
MAY 25 1994
OFFICE OF THE CLERK

(2)

No. 93-1461

In the Supreme Court of the United States

OCTOBER TERM, 1993

MAG INSTRUMENT, INC., PETITIONER

v.

COMMISSIONER OF PATENTS AND TRADEMARKS

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR THE RESPONDENT IN OPPOSITION

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15 pp

QUESTION PRESENTED

Under 35 U.S.C. 102(b), a patent shall not be granted for an invention that "was * * * in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States." The question presented in this case is whether there is an implied exception to this statutory bar where sales of the invention allegedly arose from its misappropriation by the applicant's former employee.

TABLE OF CONTENTS

	Page
Opinions below	1
Jurisdiction	1
Statement	2
Argument	4
Conclusion	11

TABLE OF AUTHORITIES

Cases:

Andrews v. *Hovey*, 123 U.S. 267 (1887), reh'g denied, 124 U.S. 694 (1888)	5-6, 7, 8, 9, 10
Electric Storage Battery Co. v. *Shimadzu*, 307 U.S. 5 (1939)	6
General Electric Co. v. *United States*, 654 F.2d 55 (Ct. Cl. 1981)	6
J.A. LaPorte, Inc. v. *Norfolk Dredging Co.*, 787 F.2d 1577 (Fed. Cir.), cert. denied, 479 U.S. 884 (1986)	10
Kendall v. *Winsor*, 62 U.S. (21 How.) 322 (1859)	7, 8, 9
Lorenz v. *Colgate-Palmolive Peet Co.*, 167 F.2d 423 (3d Cir. 1948)	4, 6, 10
Pennock v. *Dialogue*, 27 U.S. (2 Pet.) 1 (1829)	5, 7
Shaw v. *Cooper*, 32 U.S. (7 Pet.) 292 (1833)	5, 7
Sullivan v. *Stroop*, 496 U.S. 478 (1990)	11
TP Laboratories, Inc. v. *Professional Positioners, Inc.*, 724 F.2d 965 (Fed. Cir.), cert. denied, 469 U.S. 826 (1984)	10
United States v. *Lovasco*, 431 U.S. 783 (1977)	10

Statutes:

Act of Feb. 21, 1793, ch. 11, § 1, 1 Stat. 319	4-5
Act of July 4, 1836, ch. 357, § 7, 5 Stat. 119	5
Act of Mar. 3, 1839, ch. 88, § 7, 5 Stat. 354	5, 8, 9, 10
Act of July 8, 1870, ch. 230, § 24, 16 Stat. 201	5
35 U.S.C. 102	3
35 U.S.C. 102(a)	3

Statute—Continued: Page

35 U.S.C. 102(b) 2, 3, 4, 6, 7, 10

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OPINIONS BELOW

The judgment order of the court of appeals (Pet. App. F1) is unpublished, but the judgment is noted at 17 F.3d 1442 (Table). The opinion of the Board of Patent Appeals and Interferences (Pet. App. A1-A11) is unpublished.

JURISDICTION

The decision of the court of appeals was entered on December 13, 1993. The petition for a writ of certiorari was filed on March 14, 1994. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATEMENT

1. Anthony Maglica invented a grippable flashlight with a recessed rubber sleeve and assigned the patent application to petitioner. Petitioner's director of marketing, Donald A. Keller, surreptitiously marketed a flashlight incorporating the claimed invention before he left petitioner's employ in April 1986. By May 1986, Keller and his newly formed company, Lite-Tek International Corporation, provided samples of the flashlight to another company, Kershaw Knives. As early as May 8, 1986, Kershaw Knives placed an order for 50,000 flashlights that included the recessed rubber sleeve. In October 1986, Lite-Tek shipped 10,000 flashlights to Kershaw Knives, which supplied them to a third company, Snap-On Corporation. Pet. App. A3-A4.

In March 1987, one of petitioner's representatives obtained samples of these flashlights from Snap-On and sent them to petitioner. Pet. App. G29-G30. Later that year, petitioner's attorneys became aware that a flashlight incorporating Maglica's invention may have already been marketed. *Id.* at G24, G29.

Petitioner filed a patent application for the grippable flashlight on January 29, 1988. Pet. App. A3. On December 28, 1989, the patent examiner issued a notice of allowability. *Id.* at B1. Prior to the patent's issuance, however, petitioner withdrew the application and on April 2, 1990, filed a second application. *Id.* at A1. Petitioner submitted a supplemental disclosure statement relating information concerning Keller's activities. The patent examiner denied petitioner's application, finding that 35 U.S.C. 102(b) precluded petitioner from obtaining a patent because "the invention was * * * in public use or on sale in this country, more than one year prior to

the date of the application for patent in the United States." Pet. App. A2.[1]

2 The Board of Patent Appeals and Interferences affirmed. Pet. App. A1-A11. The Board concluded that the invention had been "on sale" at least one year prior to petitioner's initial patent application on January 29, 1988.[2] The Board noted that petitioner did not contest that the flashlights were shipped by Lite-Tek to Kershaw Knives and then to Snap-On Tools prior to January 29, 1987. The Board determined that under 35 U.S.C. 102(b), the prior sales barred the patentability of petitioner's flashlight. Pet. App. A3-A5.

The Board rejected petitioner's argument that it should adopt an exception to the general rule where the prior sales were made by a third party. Pet. App. A5. After canvassing the relevant precedents, the Board concluded that no exception for fraudulent or piratical sales or uses had previously been recognized. *Id.* at A5-A9. The Board reasoned that the language of the patent statute "contains no qualification or exception," and that

---

[1] Section 102 of Title 35 provides, in relevant part, that:

> A person shall be entitled to a patent unless—
>
> (a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent, or
>
> (b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States.

35 U.S.C. 102.

[2] The examiner's conclusion that the patent should also be denied under 35 U.S.C. 102(a) was withdrawn on appeal. Pet. App. A3.

the implied exception sought by petitioner would provide a "fruitful field for collusion." *Id.* at A8, A9 (quoting *Lorenz* v. *Colgate-Palmolive Peet Co.*, 167 F.2d 423, 429-430 (3d Cir. 1948)).

3. The court of appeals affirmed without opinion. Pet. App. F1-F2.

ARGUMENT

The decision of the court of appeals is correct, and does not conflict with the decisions of this Court or any other court of appeals. Further review therefore is not warranted.

1. a. The plain language of 35 U.S.C. 102(b) provides that an invention is not eligible for patent protection if it was "in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States." Thus, to fall within the statutory bar, an invention need only meet two conditions: (1) it must have been "on sale"; and (2) the period of sale must have begun "more than one year" before the filing of the application. The Board of Patent Appeals and Interferences was therefore correct in concluding that the pertinent statutory language "contains no qualification or exception," and that "[t]here is not a single word in the statute which would tend to put an inventor, whose disclosures have been pirated, in any different position from one who has permitted the use of his processes." Pet. App. A8-A9 (quoting *Lorenz*, 167 F.2d at 429).

The history of the "on sale" bar of Section 102(b) confirms the Board's determination that the statute applies even where an inventor has not consented to the sale of his invention. Initially, the patent statute did not contain an "on sale" bar. Congress at first provided merely that an item could be patented if it was not "known or used before the [patent] application," Act of

Feb. 21, 1793, ch. 11, § 1, 1 Stat. 319, and this Court construed that provision to mean that an invention was unpatentable if there was prior "public use." *Shaw* v. *Cooper*, 32 U.S. (7 Pet.) 292, 319 (1833); *Pennock* v. *Dialogue*, 27 U.S. (2 Pet.) 1, 19-20 (1829). In 1836, however, Congress amended the patent statute to provide that the Commissioner of Patents may issue a patent only if an item was not "in public use *or on sale* with the applicant's consent or allowance prior to the application." Act of July 4, 1836, ch. 357, § 7, 5 Stat. 119 (emphasis added).

Of specific pertinence here, Congress modified the "public use" and "on sale" bars in 1839 by enacting a provision stating that no patent was invalid because of prior "purchase, sale, or use" of an item, "except on proof * * * that such purchase, sale, or prior use has been for more than two years prior to such application for a patent." Act of Mar. 3, 1839, ch. 88, § 7, 5 Stat. 354. This Court explained that "[t]he evident purpose of [that] section [of the 1839 Act] was to fix a period of limitation which should be certain, and require only a calculation of time, and should not depend upon the uncertain question of whether the applicant had consented to or allowed the sale or use." *Andrews* v. *Hovey*, 123 U.S. 267, 274 (1887), reh'g denied, 124 U.S. 694 (1888). That apparent purpose was made explicit in 1870, when Congress amended the "public use" and "on sale" provisions to delete the requirement of an inventor's "consent or allowance" and to require only that an item "not [have been] in public use or on sale for more than two years prior to [the patent] application." Act of July 8, 1870, ch. 230, § 24, 16 Stat. 201. The 1870 legislation made clear that if an invention is "on sale" before the critical period (now one year), the bar to patentability applies irrespective of the inventor's "knowledge, consent or allowance." *Andrews*

v. *Hovey*, 123 U.S. at 275; see also *Electric Storage Battery Co.* v. *Shimadzu*, 307 U.S. 5, 19-20 (1939).

b. Applying Section 102(b) in accordance with its plain terms, to cover unauthorized sales by persons other than the inventor, serves important policies underlying the "on sale" bar. In general, the "on sale" bar serves four basic policies: (1) a policy "against removing inventions from the public which the public has justifiably come to believe are freely available to all"; (2) "prompt and widespread disclosure of new inventions to the public"; (3) "prevent[ing] the inventor from commercially exploiting the exclusivity of his invention substantially beyond the statutorily authorized * * * period"; and (4) "giv[ing] the inventor a reasonable amount of time following sales activity * * * to determine whether a patent is a worthwhile investment." *General Electric Co.* v. *United States*, 654 F.2d 55, 61 (Ct. Cl. 1981). Even where, as here, the item was placed on sale without the inventor's knowledge or consent, the first two policies are fully implicated.

Petitioner argues (Pet. 21-23) that applying Section 102(b) as written insufficiently protects inventors against the theft of their inventions. An inventor, however, has remedies directly against a wrongdoer. See *Lorenz*, 167 F.2d at 426. In this case, for example, petitioner has brought a trade secret action against its former employee. Pet. App. G8, G11, G27-G28. Further, an inventor "is master of the situation and by prompt action can protect himself fully and render the defense of prior public use impossible." *Lorenz*, 167 F.2d at 430. In this case, for example, a manufacturer's representative for petitioner was aware that the invention had been shipped as early as March 1987. Pet. App. G29-G30. Petitioner could have protected its invention by filing a patent application shortly thereafter, but waited until

January 29, 1988, to do so. *Id.* at A3. Moreover, petitioner's proposed solution—to protect inventors against theft of their ideas by creating an implied exception to the plain language of Section 102(b)—is contrary to the evident congressional purpose of avoiding "uncertain question[s]" (*Andrews*, 123 U.S. at 274) in the application of the "on sale" bar to inventions that have been on sale more than one year.

2. Contrary to petitioner's argument (Pet. 8), this Court's precedents do not support a judicially-crafted "exception" to the "on sale" bar. To be sure, several of this Court's decisions include statements suggesting that in some circumstances patentability might not be defeated if an invention was procured by persons other than the inventor through piracy or fraud. See *Andrews* v. *Hovey*, *supra*; *Kendall* v. *Winsor*, 62 U.S. (21 How.) 322, 329-330 (1859); *Shaw* v. *Cooper*, *supra*; *Pennock* v. *Dialogue*, 27 U.S. (2 Pet.) 1, 19, 20, 22 (1829). But those cases involved provisions different from the "on sale" provision now codified at 35 U.S.C. 102(b).

For example, the Court in *Shaw* and *Pennock* was construing the pre-1836 patent statute, which merely provided in relevant part that an item could be patented only if there was no prior "knowledge or use" of the invention. See *Shaw*, 32 U.S. (7 Pet.) at 319; *Pennock*, 27 U.S. (2 Pet.) at 22.[3] And *Kendall* did not involve the

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[3] In those cases, the Court had no occasion to determine whether the requisite "knowledge or use" was present if the invention came into public use through theft or piracy. In *Shaw*, the Court determined that the inventor had acquiesced in the public use of his invention for several years. 32 U.S. (7 Pet.) at 321. And in *Pennock*, the inventor had permitted his invention to be known and used for seven years before obtaining a patent. 27 U.S. (2 Pet.) at 11. This Court's discussion in those cases of the patent implications of piracy of an invention was therefore dictum.

second clause of Section 7 of the 1839 Act, which modified the "on sale" bar in the respect relevant here. Rather, it involved the first clause of that Section, which provided that anyone who "purchased or constructed any newly invented * * * composition of matter, prior to the [patent] application * * *, shall be held to possess the right to use, and vend to others to be used, the specific * * * composition of matter * * * without liability therefor" (§ 7, 5 Stat. 354). 62 U.S. (21 How.) at 323. Unlike the "on sale" bar, which is designed to limit the rights of the inventor as against the rights of the public at large, the statutory provision in *Kendall* conferred rights only on one particular class of persons deemed to deserve special treatment and, significantly, did not develop through a series of enactments that made clear Congress's intent to eliminate any requirement of an inventor's knowledge of or consent to the use of the invention.

Accordingly, this Court's decision in *Andrews* leaves no doubt that the 1839 and 1870 legislation eliminated any such requirement of knowledge or consent as a condition of applying the "on sale" bar. The case arose under the second part of Section 7 of the 1839 Act, which had modified the "public use" and "on sale" bars by providing that "no patent shall be held to be invalid by reason of * * * purchase, sale, or use prior to the application of a patent as aforesaid, except on proof of abandonment of such invention to the public; or that such purchase, sale, or prior use has been for more than two years prior to such application for a patent." 5 Stat. 354. In holding the appellee's patent invalid—even though it had come into public use without the owner's "knowledge, consent, or allowance" (123 U.S. at 268)—the Court in *Andrews* explained:

> The evident purpose of [the second clause of Section 7] was to fix a period of limitation which would be certain, and require only a calculation of time, and should not depend upon the uncertain question of whether the applicant had consented to or allowed the sale or use. Its object was to require the inventor to see to it that he filed his application within two years from the completion of his invention, so as to cut off all question of the defeat of his patent by a use or sale of it by others more than two years prior to his application, and thus leave open only the question of priority of invention. The evident intention of Congress was to take away the right (which existed under the act of 1836) to obtain a patent after an invention had for a long period of time been in public use without the consent or allowance of the inventor; it limited that period to two years, whether the inventor had or had not consented to or allowed the public use. The right of an inventor to obtain a patent was in this respect narrowed, and the rights of the public as against him were enlarged, by the act of 1839. The language of § 24 of the act of 1870 * * * is to the same effect, and carries out the policy inaugurated by the act of 1839.

123 U.S. at 274; see also *Andrews*, 124 U.S. at 719 (denying rehearing) ("The second clause of the 7th section [of the 1839 Act] seems to us to clearly intend, that, where the purchase, sale, or prior use referred to in it has been for more than two years prior to the application, the patent shall be held invalid, without regard to the consent or allowance of the inventor.").[4]

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[4] Although the Court in *Andrews* acknowledged that *Kendall* v. *Winsor*, *supra*, had held that inventors were entitled to protection against piracy of their inventions, the Court emphasized that "[t]he

The lower courts have therefore properly understood *Andrews* to mean that the availability of an invention for sale beyond the statutorily prescribed period bars patentability, irrespective of the inventor's knowledge or consent. See, *e.g.*, *Lorenz*, 167 F.2d at 426-429; *J.A. LaPorte, Inc.* v. *Norfolk Dredging Co.*, 787 F.2d 1577, 1581-1583 (Fed. Cir.), cert. denied, 479 U.S. 884 (1986). Petitioner has not cited, nor are we aware of, any decision of a court of appeals holding to the contrary.[5] Further review is not warranted.[6]

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first clause of the 7th section [of the 1839 Act] was the only one involved" in the earlier case. *Andrews*, 124 U.S. at 707 (emphasis added). The Court in *Andrews* also reserved in dictum the possibility that a "fraudulent, surreptitious, and piratical" use of an item might leave its patentability undisturbed under the second clause of Section 7. 124 U.S. at 708. The Court concluded, however, that use of the invention in public by someone other than the inventor for the then-applicable two-year period could not be regarded as a "fraudulent, piratical, or surreptitious" use. *Ibid.*

[5] Petitioner argues (Pet. 8) that the requested "piratical use" exception is supported by the exception for experimental use. The experimental-use exception, however, is not regarded as an exception to 35 U.S.C. 102(b), but rather a means of determining whether there has been a "public use." See *TP Laboratories, Inc.* v. *Professional Positioners, Inc.*, 724 F.2d 965, 971 (Fed. Cir.), cert. denied, 469 U.S. 826 (1984).

[6] Petitioner argues (Pet. 25-30) for the first time in this Court that the exclusion of evidence concerning third-party piracy of his invention violates his right to due process of law. This Court generally does not consider issues raised for the first time in this Court. See, *e.g.*, *United States* v. *Lovasco*, 431 U.S. 783, 788 n.7 (1977). In any case, petitioner's claim is without merit. The Board of Patent Appeals and Interferences does not exclude relevant evidence of piracy of inventions; rather, Section 102(b) makes that evidence irrelevant because the "on sale" bar does not depend on the inventor's knowledge of or consent to the sale of his product. Thus, petitioner's contention reduces to the substantive due

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted.

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MAY 1994

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process claim that there is no rational basis for applying the "on sale" bar in cases where an invention has been placed on sale through the piracy of a third party. Because there is a conceivable rational basis for applying the bar even in those circumstances (see p. 6, *supra*), petitioner's due process claim must fail. See *Sullivan* v. *Stroop*, 496 U.S. 478, 485 (1990).

(3)
FILED
JUN 10 1994
OFFICE OF THE CLERK

No. 93-1461

IN THE

Supreme Court of the United States

OCTOBER TERM, 1993

MAG INSTRUMENT, INC.,

Petitioner,

vs.

THE COMMISSIONER OF PATENTS AND TRADEMARKS,

Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITIONER'S REPLY BRIEF

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13 pp

QUESTIONS PRESENTED

1. In a case of first impression, should the Patent Office grant a patent when commercial activities which would otherwise create a statutory bar under 35 U.S.C. § 102(b) were entirely the result of the surreptitious and piratical activities of a third party while under an obligation of secrecy to the inventor/applicant?

2. Did the Board of Patent Appeals and Interferences ("Board") and Court of Appeals for the Federal Circuit ("Federal Circuit") err in disregarding the law of the Supreme Court in deciding that a piratical use exception to § 102(b) does not exist or should not be created?

3. Did the Federal Circuit and Board violate Petitioner's right of Due Process regarding its patent property right established by 35 U.S.C. §§ 102 and 261, by refusing to consider any evidence of the third party's piratical misappropriation upon which an exception to § 102(b) could be based?

PARTIES TO THE PROCEEDING

The Petitioner is Mag Instrument, Inc. Pursuant to Supreme Court Rule 29.1, there is no parent or subsidiary to be listed.

The Respondent is the Commissioner of Patents and Trademarks.

TABLE OF CONTENTS

Page

QUESTIONS PRESENTED i

PARTIES TO THE PROCEEDING ii

TABLE OF AUTHORITIES iv

REPORTS OF OPINIONS BELOW 1

STATEMENT OF JURISDICTION 1

STATEMENT 2

ARGUMENT 2

I. THE LEGISLATIVE HISTORY OF THE U.S. PATENT ACTS DOES NOT INDICATE ANY AVERSION TO A PIRACY EXCEPTION 3

II. THE EXCEPTION SOUGHT BY PETITIONER IS IN HARMONY WITH THE UNDERLYING POLICIES OF 35 U.S.C. § 102(b) 5

III. THE SOLICITOR GENERAL'S ARGUMENT REGARDING DUE PROCESS IS CONCLUSORY 7

CONCLUSION 7

TABLE OF AUTHORITIES

Page

Cases

Andrews v. Hovey
123 U.S. 267 (1887) 4, 5

In re Maglica
17 F.3d 1442 (Fed. Cir. 1993) 1

Statutes

28 U.S.C. § 1254(1) 1
35 U.S.C. § 102(b) 2, 5-7

Rules and Regulations

Sup. Ct. R. 10.1(a) and (c) 1
37 C.F.R. § 1.56 2

Legislative History

The Congressional Globe, 41st Congress,
2nd Session, part 3, (1869-1870). 3

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In The
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PETITIONER'S REPLY BRIEF

REPORTS OF OPINIONS BELOW

The opinion of the Board has not been reported. The Federal Circuit affirmed the Board without opinion at *In re Maglica*, 17 F.3d 1442 (Fed. Cir. 1993).

STATEMENT OF JURISDICTION

The judgment of the Federal Circuit was entered on December 13, 1993. (Pet. App. F1-2). The Supreme Court has jurisdiction over this Petition pursuant to 28 U.S.C. § 1254(1) and pursuant to Sup. Ct. R. 10.1(a) and (c).

STATEMENT

The Petitioner objects to the statement of facts in the Opposition because it is misleading as to when information was discovered by the Petitioner and the attorney prosecuting the application. At the time preceding the application's filing, the inventor and prosecuting attorney were aware only of sales by Snap-on beginning in February of 1987. The application was then filed within the one-year period allowed under 35 U.S.C. § 102(b) in January of 1988. It was only after the application had been allowed to issue as a patent that Petitioner became aware of Keller's piracy. And in compliance with the duty of candor under 37 C.F.R. § 1.56, Petitioner withdrew the application from allowance so that Keller's piracy could be brought to the attention of the Patent Office.

ARGUMENT

The question presented in the Petition, *i.e.*, whether a piratical use exception to 35 U.S.C. § 102(b) should be recognized, was admitted by the Commissioner of Patents in the appeal below to be one of first impression and has been decided contrary to decisions of this Court. Contrary to statements made in the Opposition, legislative history on the Patent Acts enacted during the last two centuries, provides no support whatsoever for abandonment of this Court's decisions.

I. THE LEGISLATIVE HISTORY OF THE U.S. PATENT ACTS DOES NOT INDICATE ANY AVERSION TO A PIRACY EXCEPTION

The Solicitor General purports to rely on changes to statutory language of the Patent Acts of 1836 and 1870 for the proposition that Congress intended that no piracy exception to exist. Specifically, the Solicitor General first points out that in the Act of 1836, the pertinent statute provided that "the Commissioner of Patents may issue a patent only if an item was not 'in public use or on sale with the applicant's consent or allowance prior to the application.' " Opp. p. 5, *citing*, Act of July 4, 1836, ch. 357, § 7, 5 Stat. 119. The Solicitor General then points out that the Patent Act of 1870 deleted the "consent or allowance" provision. Opp., p. 5. However, a review of the legislative history of the 1870 Act shows that deletion of the "consent of allowance" provision did *not* reflect any intent to change the law on what would create a bar to patentability. In sharp contrast, the statute of the 1870 Act merely served to reflect the current state of the law.

Indeed, the bill which resulted in the Act of 1870 was introduced by Mr. Jenckes in the House of Representatives on April 14, 1870, and it was stated by Mr. Jenckes that, "[t]he bill is so printed as to show the law exactly as it is now, in the form in which it came from the hands of the commissioners of revision." The Congressional Globe, 41st Congress, 2nd Session, part 3, p. 2680 (1869-1870). "The House, therefore, [had] before them in the reported bill the exact state of the law . . ." *Id.*

In fact there were four proposed amendments placed before the House on April 14, 1870 pertaining to maintenance fees, the standard for abandonment,

inconsistencies in appellate law, and relief between interfering patents. *Id.* at 2681-2682. No discussion of the inventor's consent or allowance exists in the discussion of the proposed amendments, and after the discussion, Mr. Jenckes stated, "[i]n other respects the law stands without any other change . . ." *Id.* at 2683.

Thus it is simply inaccurate to propose that Congress, through amendment to statutory language, specifically intended that no exception exist for piratical use or sale of an invention.

The Solicitor General also relies on language in *Andrews v. Hovey*, 123 U.S. 267, 274 (1887), for the proposition that the 1870 amendments made clear that pre-critical date sales were a bar to patentability irrespective of the inventor's consent or allowance. Opp., p. 5. However, as pointed out in the Petition, there was *no* piracy involved in the facts underlying the *Andrews* decision. Instead, the inventor Green publicly displayed his invention and then a third party, not an employee of Green and under no obligation of secrecy like Keller was with respect to Petitioner, simply began practicing the invention.

Furthermore, the Solicitor General conveniently ignores that the *Andrews* decision itself recognized the propriety of a piratical use exception. Indeed, this Court in *Andrews* stated:

> "It may well be that a fraudulent, surreptitious and piratical purchase or construction or use of an invention prior to the application for the patent would not affect the rights of the patentee under either clause of the 7th section; but the present is not such a case as that which existed in *Kendall v. Winsor.* In the use of [the

> invention] in public . . . by others than Green [the patentee], more than two years before his application, *we see nothing in the evidence under which such use can properly be characterized as fraudulent, piratical, or surreptitious.*"

Andrews, 124 U.S. at 808, 31 L.Ed. at 560 (emphasis supplied). Accordingly, the authority relied upon by the Solicitor General fully recognizes the exception sought here by Petitioner.

II. THE EXCEPTION SOUGHT BY PETITIONER IS IN HARMONY WITH THE UNDERLYING POLICIES OF 35 U.S.C. § 102(b)

An important policy underlying § 102(b) is the prohibition against the inventor extending the patent term. Here, Petitioner did not attempt to extend the patent term as there were no attempts to commercialize or otherwise exploit the invention. Thus imposing a statutory bar based on Keller's piracy does nothing to further this underlying policy.

Furthermore, as pointed out in the Petition, providing an exception for piracy *furthers* the policy of development of inventions for public benefit. That is, due to the fact that many inventions in many technologies are the result of team efforts, a piracy exception allows that a team member to freely disclose his ideas to other team members without the fear that these ideas may be surreptitiously misappropriated to form the basis of a statutory bar. Such free discussion serves only to promote the timely development of inventions for public benefit,

thereby promoting the policy underlying § 102(b) that inventions be disclosed for public benefit.

The Solicitor implies that application of § 102(b) without a piracy exception adequately protects the inventor whose invention has been stolen and exploited. To support this position, the Solicitor General summarily points out that Petitioner had an adequate remedy embodied in a trade secret action against Keller. However, the value of a lost patent is essentially incalculable. Lost is the right to exclude others, by way of injunction, from making, using or selling the invention for the seventeen years of the patent term. Also, there is simply no way to calculate infringement damages which might arise in the future during the patent term.

The Solicitor General makes much of the fact that a distributor of Petitioner was aware of a flashlight embodying the stolen invention in March 1987, but that a patent application was not filed until January 1988. This however, simply overlooks the fact that § 102(b) specifically provides that an inventor is given a one year grace period in which to file the application, and in this case, Petitioner complied with the statute based on the information known to him. In view of the foregoing and the policy arguments made in the Petition, Petitioner submits that the exception sought is in harmony with the policies underlying §102(b).

III. THE SOLICITOR GENERAL'S ARGUMENT REGARDING DUE PROCESS IS CONCLUSORY

The Solicitor General denies that a due process violation occurred on grounds that "§ 102(b) makes . . . evidence [of piracy] irrelevant because the 'on sale' bar does not depend on the inventor's knowledge of or consent to the sale of his product." Opp., p. 10, n.6. However, this merely presupposes that the theft and subsequent surreptitious exploitation of an invention is of no consequence and that a piracy exception to §102(b) should not exist. As made clear in the Petition, this Court has repeatedly recognized the propriety of the exception sought. Being that this is the case, Petitioner reiterates that a due process violation has occurred because the Patent Office merely received the evidence of piracy submitted by Petitioner and rejected the application without evaluating whether an exception to § 102(b) might apply. The Federal Circuit, in turn, then sanctioned this procedure by affirming the decision of the Board of Patent Appeals and Interferences without opinion.

CONCLUSION

There is nothing in the legislative history surrounding the Patent Acts of the United States indicating that Congress intended that no exception exist for piratical misappropriation and surreptitious exploitation of an invention. Instead, this Court has repeatedly recognized the propriety of such an exception. Furthermore, such an exception is in line with the policies underlying § 102(b). Still further, the Patent Office's rejection of Petitioner's application as a matter of course constitutes

a due process violation. Accordingly, Petitioner respectfully submits that the Writ of Certiorari should issue for the reasons stated in the Petition and reiterated herein.

Dated: June 10, 1994.

Respectfully submitted,

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